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CONTINUANCE OF CIVIL GOVERNMENT FOR THE TRUST
TERRITORY OF THE PACIFIC ISLANDS

GOVERNMENT

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BEFORE THE

SUBCOMMITTEE ON

TERRITORIAL AND INSULAR AFFAIRS

OF THE

COMMITTEE ON

INTERIOR AND INSULAR AFFAIRS

HOUSE OF REPRESENTATIVES

NINETY-THIRD CONGRESS

SECOND SESSION

ON

H.R. 16731 and H.R. 16793

TO AMEND SECTION 2 OF THE ACT OF JUNE 30, 1954, AS
AMENDED, PROVIDING FOR THE CONTINUANCE OF CIVIL
GOVERNMENT FOR THE TRUST TERRITORY OF THE
PACIFIC ISLANDS

HEARING HELD IN WASHINGTON, D.C.
OCTOBER 1, 1974

Serial No. 93-69

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H.R. 16731 AND H.R. 16793

TO AMEND SECTION 2 OF THE ACT OF JUNE 30, 1954, AS AMENDED, PROVIDING FOR THE CONTINUANCE OF CIVIL GOVERNMENT FOR THE TRUST TERRI- TORY OF THE PACIFIC ISLANDS

TUESDAY, OCTOBER 1, 1974

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON TERRITORIAL AND INSULAR AFFAIRS
OF THE COMMITTEE ON INTERIOR AND INSULAR AFFAIRS,
Washington, D.C.

The subcommittee met, pursuant to notice, at 1:45 p.m., in room H-305, U.S. Capitol Building, the Honorable Phillip Burton (chairman of the subcommittee) presiding.

Mr. BURTON. The next item on the subcommittee agenda is the Trust Territory budget authorization.

At this point, we will insert H.R. 16731 and H.R. 16793 in the record at this point and the report of the department involved.

[H.R. 16731 and H.R. 16793 and the departmental report follow:]

[H.R. 16731, 93d Cong., 2d sess.]

A BILL To amend section 2 of the Act of June 30, 1954, as amended, providing for the continuance of civil government for the Trust Territory of the Pacific Islands

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 2 of the Act of June 30, 1954 (68 Stat. 330), as amended, is amended by deleting "and for each of the fiscal years 1974 and 1975, \$60,000,000" and inserting in lieu thereof the following: "for fiscal year 1975, \$75,000,000; for fiscal year 1976, \$80,000,000; and for fiscal year 1977, \$85,000,000; which authorizations for fiscal years 1975, 1976, and 1977 shall be increased or decreased by such amounts as the Secretary of the Interior shall determine are necessary to offset estimated changes between fiscal year 1973 and the applicable fiscal year in average costs of construction and average prices for goods and services taking into account current trends in (1) engineering cost indices applicable to the type of construction involved; (2) applicable consumer price indices for other goods and services; and (3) other relevant economic considerations".

SEC. 2. There is authorized to be appropriated \$1,500,000 to aid in the transition of the Mariana Islands District to a new Commonwealth status as a territory of the United States. No part of such sum may be obligated or expended until final agreement between the Marianas Political Status Commission and the United States has been signed.

[H.R. 16793, 93d Cong., 2d sess.]

A BILL To amend section 2 of the Act of June 30, 1954, as amended, providing for the continuance of civil government for the Trust Territory of the Pacific Islands

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 2 of the Act of June 30, 1954 (68 Stat. 330), as amended, is amended by deleting "and for each of the fiscal years

1974 and 1975, \$60,000,000" and inserting in lieu thereof the following: "for fiscal year 1975, \$75,000,000; and for fiscal year 1976, \$80,000,000 which shall be increased or decreased by such amounts as the Secretary of the Interior shall determine are necessary to offset estimated changes between fiscal year 1975 and fiscal year 1976 in average costs of construction and average prices for goods and services taking into account current trends in—

- (1) engineering cost indices applicable to the type of construction involved;
- (2) applicable consumer price indices for other goods and services; and
- (3) other relevant considerations.

SEC. 2. There is authorized to be appropriated \$1,500,000 to aid in the transition of the Marianas Islands District to a new Commonwealth status as a territory of the United States: *Provided, however,* That no part of such sum may be obligated or expended until final agreement between the Marianas Political Status Commission and the United States has been signed.

U.S. DEPARTMENT OF THE INTERIOR,
OFFICE OF THE SECRETARY,
Washington, D.C., August 26, 1974.

HON. CARL ALBERT,
Speaker of the House of Representatives,
Washington, D.C.

DEAR MR. SPEAKER: Enclosed is a proposed bill "To amend section 2 of the Act of June 30, 1954, as amended, providing for the continuance of civil government for the Trust Territory of the Pacific Islands."

We recommend that the bill be referred to the appropriate committee for consideration and strongly urge that it be enacted.

Public Law 93-111 currently authorizes the appropriation of \$60 million for fiscal years 1974 and 1975. Our proposed bill would authorize a total annual appropriation of \$75 million for fiscal year 1975 and the 1975 constant dollar equivalent of \$80 million for 1976 plus a separate authorization of \$1.5 million for a special program to aid transition of the Mariana Islands District to a new commonwealth status as a territory of the United States.

The Trust Territory of the Pacific Islands is administered by the United States pursuant to a strategic trusteeship agreement concluded in 1947 with the Security Council of the United Nations. Governmental responsibilities are carried out through a territorial government which has executive and judicial branches, and a bicameral legislative body composed entirely of Micronesians.

Under the trusteeship agreement, the United States is charged with the promotion of political, social, educational and economic development. Beginning in 1964, with the establishment of the Congress of Micronesia, political development in the Trust Territory has been rapid and, by most accounts, effective. Indeed, the United States is presently engaged in negotiations with the Micronesians to determine new political relationships for the area. A topic of the negotiations is the future financial assistance by the United States to Micronesia.

While tourism is on the rise, overall economic development has lagged until recently. This deficiency is due in large part to a lack of the capital improvements upon which economic development is based. Despite a great expansion of Micronesia's capital plant over the past five years, much remains to be done.

The bulk of the increased annual authorization would be devoted to the Department's accelerated capital improvement program which the Secretary of the Interior announced in a January speech to the people of Micronesia. The accelerated program is designed to build the physical infrastructure necessary for a sound and self-sufficient economy. As much as possible, we would like to have this physical infrastructure in place within the next few years before the trusteeship gives way to a new political status for Micronesia in order to make economic self-sufficiency a more feasible goal when the trusteeship ends.

This policy dovetails with concern over the economy expressed by members of the Congress of Micronesia who cite roads, airports, ships and shipping facilities as high priority items. Construction or improvement of such facilities is vital to education, health, commerce, and even the most simple operations of government and private enterprise in the Trust Territory. Their importance is underlined by the fact that Micronesia's 115,000 population is scattered across 3,000,000 square miles of ocean. The proposed program will reflect a policy of holding down

the cost of governmental operations in order that maximum funding may be devoted to important capital improvement projects. The on-going Trust Territory Government program of replacing U.S. personnel with qualified Micronesians will remain an integral part of policy in Micronesia. Future requests for appropriations will also seek to continue the fledgling program for education in self-government and on-going programs in the fields of health and education. In addition, we look for improvement in communications and transportation among the 2100 islands of Micronesia.

The bill provides an authorization for 1976 of \$80,000,000 plus or minus such amounts as the Secretary determines are necessary to offset estimated changes between fiscal year 1975 and fiscal year 1976 in average costs of construction and average prices of goods and services. This provision is necessary for implementing an agreement reached in the negotiations.

Our proposal for an expanded authorization would not affect the existing authorization of \$10,000,000 for terminated categorical grant programs. We note, however, that the House and Senate recently approved Interior appropriations conference reports calling for only \$700,000 to cover such terminated grants.

Section 2 of the proposed legislation relates to the negotiations between the United States and the Marianas Political Status Commission which will lead to a new Commonwealth status as a territory of the United States for the Marianas Islands District. The U.S. Congress has final approval authority over these negotiations. Section 2 would authorize the appropriation of \$1,500,000.00 for a special program of transition in the Marianas which will include, among other things, a constitutional convention and referendum, a political status plebiscite, political education programs and economic, fiscal and physical planning studies. The funds which Section 2 would authorize could be appropriated but would not be obligated prior to signature of the final agreement by the United States Executive Branch and the Marianas Political Status Commission.

The proposed increases in authorization are endorsed by Ambassador Franklin Haydn Williams, the President's Personal Representative for Micronesian Status Negotiations. The proposal in Section 1 is deemed vital to our negotiating efforts since it reflects the tentative agreements reached with the Congress of Micronesia's Joint Committee on Future Status at Carmel, California, in March 1974. Section 2 supports the agreement on a Marianas transition program reached in Saipan in May 1974 during the Fourth round of Marianas political status negotiations.

The Office of Management and Budget has advised that the presentation of this proposed legislation is in accord with the program of the President.

Sincerely yours,

JOHN KYL, *Assistant Secretary of the Interior.*

Enclosure.

A BILL To amend section 2 of the Act of June 30, 1954, as amended, providing for the continuance of civil government for the Trust Territory of the Pacific Islands

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 2 of the Act of June 30, 1954 (68 Stat. 330), as amended, is amended by deleting "and for each of the fiscal years 1974 and 1975, \$60,000,000" and inserting in lieu thereof the following: "for fiscal year 1975, \$75,000,000; and for fiscal year 1976, \$80,000,000 which shall be increased or decreased by such amounts as the Secretary of the Interior shall determine are necessary to offset estimated changes between fiscal year 1975 and fiscal year 1976 in average costs of construction and average prices for goods and services taking into account current trends in:

- "1. engineering cost indices applicable to the type of construction involved;
- "2. applicable consumer price indices for other goods and services; and
- "3. other relevant economic considerations.

"SEC. 2. There is authorized to be appropriated \$1,500,000 to aid in the transition of the Marianas Islands District to a new Commonwealth status as a territory of the United States, *Provided, however,* that no part of such sum may be obligated or expended until final agreement between the Marianas Political Status Commission and the United States has been signed.

Mr. BURTON. May I go off the record here for a moment?

[Discussion off the record.]

Mr. BURTON. Without objection, the statements of Mr. Radewagen, Mr. Wilson, Mr. Johnston, and Congressman Setik will be placed in the record in full.

[The documents follow:]

STATEMENT OF MR. FRED RADEWAGEN, ACTING DIRECTOR OF TERRITORIAL AFFAIRS,
DEPARTMENT OF THE INTERIOR

Mr. Chairman: I appreciate the opportunity to appear on behalf of the Department of the Interior with regard to H.R. 16731 and H.R. 16793, bills which would increase funding authorization for the activities of the civil government of the Trust Territory of the Pacific Islands. We strongly support H.R. 16793 which embodies the administration request.

As is known to most of the subcommittee members, the Trust Territory of the Pacific Islands is administered by the United States according to a 1947 Trusteeship Agreement with the United Nations. Since 1969, the United States and Micronesia have been negotiating the future political status of the territory's six districts and termination of the trusteeship.

Public Law 93-111 currently authorizes the appropriation of \$60 million for fiscal year 1975—a level which has been maintained since 1971. The administration's proposal would authorize a total annual appropriation of \$75 million for fiscal year 1975 and the 1975 constant dollar equivalent of \$80 million for 1976. Additionally, in section 2, we are asking for a separate authorization of \$1.5 million for a special program to aid transition of the Mariana Islands District to a new commonwealth status as a territory of the United States. These proposals are a direct result of the future political status negotiations.

Most of the proposed authorization increase would be devoted to constructing such physical infrastructure projects as field trip ships, airfields, power plants, roads and docks. This accelerated capital improvement program announced by Secretary Morton last January has important future political status implications. It is the view of the executive branch that the trusteeship agreement calls on the United States to have a substantial portion of Micronesia's capital plant in place by the end of the trusteeship. To that end, tentative agreement as to levels of accelerated capital improvement program funding was reached in the Carmel talks in March of this year between Ambassador Franklin Haydn Williams, the President's Personal Representative for Micronesian Status Negotiations and Senator Lazarus Salii, Chairman of the Joint Committee on Future Status of the Congress of Micronesia.

Despite a continuing, and when compared with the United States, a magnified inflation, the Trust Territory has been holding the line on spending. Given the use of 1975 constant dollars, the agreement reached between Ambassador Williams and Chairman Salii anticipates that spending on government operations will go no higher than the proposed 1975 level of \$55 million and will be reduced beginning in 1977. According to the agreement, and in terms of fiscal years starting July 1 and ending June 30, we project the following breakdown of Trust Territory expenditures on government operations and capital improvements (in constant 1975 dollars as defined in section 1 of the bill):

	Government operations	Capital improvement program	Total
1975.....	\$55,000,000	\$20,000,000	\$75,000,000
1976.....	55,000,000	25,000,000	80,000,000
1977.....	54,000,000	30,000,000	84,000,000
1978.....	52,000,000	35,000,000	87,000,000
1979.....	50,000,000	20,000,000	70,000,000
1980.....	45,000,000	15,000,000	60,000,000

Of course, the amounts for the years beyond fiscal year 1976 presume that the United States and Micronesia reach final agreement on the remaining issues in the negotiations.

Mr. James Wilson, Deputy U.S. Representative for Micronesian Status Negotiations will address the 1975 and 1976 authorization request of section 1 and the

\$1.5 million transition request of section 2 in terms of their direct relation to the on-going political status negotiations. We are also pleased to have Trust Territory High Commissioner Edward E. Johnston here, who is prepared to speak to the details of the capital improvement program and government administration.

We strongly urge the subcommittee to adopt H.R. 16793. The proposal is consistent with tentative status agreements and we believe holds the line on spending.

STATEMENT OF JAMES M. WILSON, JR., U.S. DEPUTY REPRESENTATIVE FOR
MICRONESIAN STATUS NEGOTIATIONS

Mr. Chairman, Members of the Subcommittee: I am very pleased to be given this opportunity to appear at this hearing to support the Administration's request for an increase in the current authorization ceiling for the Trust Territory of the Pacific Islands. I am the deputy to Ambassador F. Haydn Williams, the President's Personal Representative for Micronesian Status Negotiations, and represent him here now.

The first item to which I would like to address myself today is the need to raise the authorization ceilings for the Trust Territory of the Pacific Islands as a whole to \$75 million and \$80 million in FY 1975 and 1976 respectively. The second is the request for \$1.5 million to finance a series of transitional activities to be undertaken when our current negotiations with the Marianas Political Status Commission have been completed.

THE MICRONESIAN NEGOTIATIONS

The request to raise the ceiling authorization for the Trust Territory is directly related to our negotiations to determine the future political status of the Trust Territory—less the Marianas District—which have been going on since 1969. Following rejection by the Congress of Micronesia of the United States' offer of commonwealth status, these negotiations have been aimed at establishing a so-called "free association" between the United States and the future state of Micronesia, made up of the Carolines and the Marshalls. This is the goal now declared by the Congress of Micronesia to be its preferred objective.

Just two months ago an agreement was reached ad referendum with the Co-Chairmen of the Congress of Micronesia's Joint Committee on Future Status on a complete draft Compact of Free Association. Subsequently the full committee met and proposed certain additional changes, which the United States has not agreed to but will discuss shortly with the Co-Chairmen of the Committee.

This Compact must also be finally approved by the people and both houses of the U.S. Congress. Its principal features are as follows:

1. The people of Micronesia will be self-governing and responsible for their own internal affairs, with their own constitution, laws and system of justice. Their constitution must guarantee fundamental human rights and must be consistent with the Compact.

2. The United States will have full responsibility for and authority over both foreign and defense affairs. The Compact provides that the United States will consult with the new Government of Micronesia on matters of mutual concern relating to foreign affairs and will not enter into agreements that pertain exclusively or predominantly to Micronesia without its consent.

3. The United States will have the right of access to Micronesian land for military bases and the right to deny Micronesian territory to third parties for military purposes.

4. The Compact can be terminated only by mutual consent during the first fifteen years. Thereafter it would be terminable by unilateral action on two years notice but only after a satisfactory security agreement has been concluded embodying the United States base rights and denial of the area to third parties. We believe this termination provision fully protects United States security interests while conceding to the Micronesians in principle a right to unilateral termination. However, this right, under the draft compact, cannot be exercised until the United States is assured that its basic security interests in the area are protected.

5. The United States would be committed to provide on a grant basis beginning with the first year it becomes effective \$35 million annually in support of the operations of the new Government of Micronesia during the first five years

of the compact. This amount would drop to \$30 million annually during the next five years and \$25 million during the remaining five years of the fifteen year period. For capital improvements the United States would be committed to \$12.5 million annually for the first five years of the Compact, \$11 million annually over the next five years, and \$9.5 million during the last five years. In addition we would provide up to \$5 million annually in loans for specified economic development projects; half of this amount would be reserved for small business loans at the district level to be administered by the district governments. The United States is also prepared to continue three federal programs without compensation: the postal, weather and FAA services. All the above amounts would be adjusted annually to reflect any changes in the purchasing power of the dollar as reflected by changes in the Guam Consumer Price Index using the value of the dollar in the present fiscal year as a basing point.

In our discussions to date with the Co-Chairmen of the Micronesian Joint Committee they have taken the position that the new status arrangement should not be put into effect abruptly but rather should be phased in over an extended period of time. This would provide time for two things to happen of great importance to them:

1. It would permit a gradual change over in the administration from the present system to the new one which will function after the end of the Trusteeship. They would like to see this done over an extended period following the approval of their new constitution.

2. They would also like to see as much basic infrastructure in place as is possible before the end of the Trusteeship. A longish period of transition in their view would make this feasible.

For our part we suggested that the transition period not extend as far as the Micronesians originally requested and that we consider it in two stages. The first stage would extend from now until the new compact is approved by the people and their constitution is drawn up and approved—a period currently estimated at two years. This could last, however, as long as three years if hitches were to develop.

Stage Two would begin thereafter and extend for three or four years depending on the length of Stage One. During this time necessary steps would be taken with the United Nations to terminate the trusteeship at the end of Stage Two. On this basis we would expect termination of the trusteeship by mid-1980 with the Compact becoming fully effective at that time.

Government operations

So far as transition financing is concerned we have tentatively agreed on a program whereby the level of operational support, if Congress approves, would be increased for the first year of Stage One over its present level to \$55 million and remain at that level through the second year, FY 1976. These increases are caused almost entirely by cost increases especially those brought about by the fuel crisis. The actual level of government operations would remain at around its current level.

Thereafter in Stage Two, again if Congress approves, the level in constant dollars would begin to descend as the new government began its phase in and the level of Micronesian internal revenues continued to increase. The proposed figures for operational support are as follows: FY 1977, \$54 million; FY 1978, \$52 million; FY 1979, \$50 million; FY 1980, \$45 million.

If the Marianas District during this period approves a separate commonwealth arrangement with the U.S., and we then accede to its request for separate administration, there would be a proportionate reduction in the above figures and a new and separate request would be made for the Marianas corresponding to the agreement which will be outlined later.

Capital improvements

With regard to the Capital Improvements Program our discussions were aimed at reaching realistic estimates of what would be required to put in place the basic infrastructure elements identified by the Joint Committee and the Trust Territory Administration pursuant to Secretary Morton's recommendation of last January that a five year program be developed to attain this jointly shared goal.

The object here would be to provide each district center with utilities, an airport, adequate roads and docks, a hospital, a courtroom, administrative, public safety and public works buildings, sufficient standard classroom space and science equipment. In addition, the more populous outer islands would receive utilities,

especially electricity for schools, a small hospital, a dock, an airport and in some cases roads. Smaller outer islands would receive a dispensary, a school house and some communal facilities. The High Commissioner will be prepared to describe this program in greater detail.

It is our considered view that we should try to fund this program on an initially accelerated basis, wherein new funds allocated to CIP would increase sharply through FY 1978 and then taper off during the end of Stage Two to a sustaining level in keeping with the long range post-trusteeship Micronesian programs funded under the new Compact of Free Association. This would provide a "front end loaded program" designed to have most basic infrastructure in place by the end of the trusteeship. The proposed transitional schedule for Capital Improvements is as follows: FY 1975, \$20 million; FY 1976, \$25 million; FY 1977, \$30 million; FY 1978, \$35 million; FY 1979, \$20 million; FY 1980, \$15 million.

We are seeking now authorization for the first two years only, corresponding to Stage One of the transition program. Just as in the case of operational support, there would be a proportionate reduction in these figures if the Marianas is to be separately administered from the other districts of the Trust Territory of the Pacific Islands. All figures are again in constant FY 1975 dollars.

We propose Mr. Chairman to embody all of the foregoing in a memorandum of understanding—specifically made subject to the approval of the U.S. Congress—to be delivered to the Micronesians at the time that the new Compact is signed. Copies of a draft of such a memorandum have previously been made available to the staff of this Committee for information and comment.

MARIANAS NEGOTIATIONS

I turn now to the Marianas. As members of this Committee know the United States since December 1972 has been engaged in a series of negotiations with representatives of the Marianas Islands District of the Trust Territory aimed at bringing the Northern Marianas into a close and permanent relationship with the United States. When the Congress of Micronesia rejected in 1971 a United States offer of Commonwealth status for all the Trust Territory, the Marianas District formally asked for separate negotiations along the lines of the rejected commonwealth agreement.

In May of this year agreements were reached with the Marianas Political Status Commission on virtually all substantive issues. These agreements, if finally approved by the U.S. Congress and the people of the Marianas, would meet the long-standing aspirations of the people of the Marianas for membership in the American political family and make possible progressively higher standards of living within the islands. At the same time they would protect essential U.S. political and security interests in this area and include establishment of a major joint service military base on Tinian.

Under the proposed new arrangements the Mariana Islands District would become fully self-governing in internal matters under its own constitution, with a popularly elected executive and legislature, and would have its own courts in addition to having access to the federal courts. All this could happen as early as mid-1976. Later when the Trusteeship is officially terminated for the Marianas and the other Districts of the Trust Territory, the Northern Marianas will come under full U.S. sovereignty as a commonwealth of the United States, and its people will become American citizens except for those individuals who may choose the status of American nationals.

Agreement was also reached in May, again subject to Congressional approval, on an initial 7-year program of U.S. financial assistance to the Northern Marianas to begin following the installation of its new Government under its own new constitution. Under this program the U.S. would provide \$13.5 million during each of these years in direct financial grants as follows: \$8 million a year to help meet the cost of government operations; \$1.5 million a year to be used for economic development loans, with \$500 thousand a year of this amount to be reserved for small loans to farmers and fishermen and to agricultural and marine cooperatives; and \$4 million a year for a Capital Improvement Program, of which \$500 thousand a year would be reserved for Rota and \$500 thousand a year for Tinian because of the urgent development needs on those islands. U.S. assistance would be provided in constant dollars using FY 1975 as a basing year.

In addition a wide range of services and assistance under regular U.S. federal programs would be made available. The United States estimates the value of such federal services at \$3 million a year. Total direct annual assistance is thus esti-

mated at \$16.5 million. This does not include potential additional income from military construction and a growing military presence and spending, including the rebate of federal income taxes collected from servicemen stationed in the Northern Marianas. Copies of the joint communiques issued at each of the four negotiating sessions held to date with the Marianas have been made available to this committee.

During the discussions of December 1973 and May 1974 with the Marianas Political Status Commission it was agreed that every effort should be made to plan the uses for these funds as carefully as possible and to make the transition to the new status as smooth as possible. It was estimated that monies would be needed to start this planning process immediately after the signing of a new status agreement and a committee was formed to work out a program for its use. A copy of its report, as approved subsequently by the two delegations, has also been given this committee.

Under this program it was agreed to establish a joint U.S.-Marianas Secretariat on transition. The joint secretariat would consist of six highly qualified professionals who would be asked to develop transition plans and schedules, conduct basic economic studies, arrange for the employment of experts and administer funds made available for these activities, if Congress approved the arrangements and provided the funds.

We are here now seeking that approval. These funds are urgently needed to develop plans for planning and conducting a constitutional convention, developing priorities for an initial legislative program, studying the impact on the Marianas of relocating the Capital of Micronesia outside of Saipan, conducting political status education programs, a plebiscite, a constitutional referendum and the election of a new Government. They are not available within present authorizations or appropriations and are sought over and above new appropriation ceilings for the TTPI as a whole.

On the basis of our discussions with the Marianas Political Status Commission we have prepared an estimated budget for transition planning. That budget is as follows:

Administration:¹

Joint commission.....	\$40,000
Secretariat	460,000
Contingencies	50,000
Subtotal	550,000

Research and planning:²

Government organization:

Studies and planning constitutional convention.....	50,000
Research and planning government reorganization.....	50,000
Initial legislative program.....	50,000
Research U.S. Federal programs and services.....	50,000
Subtotal	200,000

Economic and social planning:

Economic and social development planning.....	225,000
Fiscal and revenue planning.....	50,000
Physical planning.....	225,000
Impact of relocation of capital.....	50,000

Subtotal 550,000

Schedule transition steps:²

Political status education program and status plebiscite.....	50,000
Constitutional convention.....	75,000
Constitutional education program and constitutional referendum.....	50,000
Election new government.....	25,000
Subtotal	200,000

Grand total..... 1,500,000

¹ 2-year costs.

² 1-time costs.

SUMMARY AND CONCLUSIONS

In conclusion, Mr. Chairman, the raising of the appropriation ceiling for the Trust Territory from \$60 million to \$75 million in FY 1975 and \$80 million in 1976 will permit a well ordered, rational transition program and is an integral part of a carefully worked out larger plan for establishing a new status for the Trust Territory.

The appropriation of \$1.5 million will permit the United States to assist the Marianas District in planning a sound economic and political basis for its future commonwealth relationship with the United States. We consider funding of this program extremely important in our relationship with the Marianas District and vital to the rapid conclusion of a commonwealth agreement. Ambassador Williams and I strongly urge favorable action by the Congress on these requested increases in the authorization ceiling.

Thank you.

STATEMENT OF HON. EDWARD E. JOHNSTON, HIGH COMMISSIONER, TRUST
TERRITORY OF THE PACIFIC ISLANDS

Mr. Chairman and Members of the Committee: It is indeed a pleasure for me to appear before this Committee to urge the enactment of new and higher ceiling legislation for the Trust Territory of the Pacific Islands.

Mr. Chairman, progress has been made in recent political status negotiations to the extent that it is possible to look only five or six years into the future to the end of the Trusteeship Agreement and the concurrent emergence of a new Pacific nation of Micronesia. That leaves only five or six years to develop the economy of Micronesia to a point of relative self-sufficiency. And it leaves only five or six years for the United States to meet the commitments it made over twenty-five years ago to promote Micronesia's political, social, educational, and economic development.

The ceiling legislation under consideration would allow the United States to meet those commitments, especially in the area of economic development. Political, social, and educational development has proceeded well. There is a functioning Congress of Micronesia, several members of which are with us today at this hearing. There are schools and hospitals and a junior college and wide range of social services available to the people of Micronesia. But development of the private economic sector has not kept pace with progress in other areas. The prime objective of the higher funding ceilings we are requesting will be the economic development of the islands.

There are two important aspects to the economic development effort. First, it will be a very expensive proposition in Micronesia. The growth of the tourist industry, for example, requires that not one but seven multi-million dollar jet airfields be built and operated. Likewise, there is a need for multiple docks and utility systems and road networks to allow development to occur in each of the scattered population centers. It would be far less expensive to develop a tourist industry or a fishing industry if Micronesia were one large island rather than 2,000 scattered across three million square miles of the Pacific. But this is not the case, so that duplicate facilities will have to be provided if all of the districts are to develop their economies.

The higher authorization ceilings of \$60 million for each of the past four years, have allowed significant progress to be made. Majuro for example, has a new airport and Saipan's is well on its way to completion; Ponape has a new dock. But the magnitude of the task and the rapidly rising costs of putting in place the infrastructure needed for economic development requires funding levels higher than \$60 million during the remaining years of the Trusteeship.

This leads to the other important point I wish to bring to the Committee's attention—the press of time. The economic development effort must be accelerated immediately if it is to be effective. Construction takes a long time in Micronesia. Every bag of cement, every piece of steel, every bulldozer must be shipped across thousands of miles of ocean to remote sites. Serious logistic problems and delays arise without the periodic dock or shipping strikes, typhoons, cement shortages, or fuel crises. Yet, infrastructure must be built and economic growth achieved, all within a timeframe of just a few years. It is vital that we get underway this year so that we can complete the task of leaving Micronesia with a growing economy to support its people.

The ceiling legislation before this committee would allow the Trust Territory to seek \$75 million in FY 1975 and \$80 million in FY 1976 constant dollars in FY 1976. Most of the additional funding being sought would be used to complete the physical facilities needed for development.

For FY 1975, over \$5 million will be sought for additional interisland ships to replace our obsolescent fleet. One new ship, the "Micronesian Princess" has just been delivered and is now on its maiden voyage in the islands. These are ships specifically designed to service islands that have minimal docking facilities. The ships are vital to development of the outer islands, especially in the copra trade which is Micronesia's principal export. An additional \$3.6 million will be sought to augment the power generation and distribution capacity of Saipan to keep pace with its now rapidly growing tourism development. Social development will not be ignored however, as there will also be requested about \$1.5 million for a hospital in Yap and for dispensaries throughout the Territory.

The additional funding which could be sought under higher ceilings for FY 1976 would allow for major expansion in both the inshore and offshore fishing industries. A fleet of new modern tuna boats would be built, for eventual resale to local entrepreneurs, which would allow Micronesians to tap their rich marine resources. A major new dock and industrial complex would be undertaken in Majuro. Funding for construction of airports on Truk and Kusaie would be sought and for design of new airports for Yap and Palau. Over \$5 million for road construction and paving would be requested for work in all districts except Marshalls, whose road system is essentially complete. Utility systems would be upgraded in all districts. Design studies would be undertaken for the utilities required to support a major fisheries complex on Dublon Island in the Truk District.

Funding at the levels being proposed for FY 1975 and FY 1976 and under consideration for future years, should allow the United States to leave behind for use by the Micronesian people, a physical plant that includes an airport, a dock, a paved road system, and adequate utility systems in each major population center. There will be fully developed medical and educational facilities to ensure a trained and healthy workforce. Outer islands will not be neglected and there will be community utility systems provided as well as a new fleet of ships to move people, trade goods, and copra among the islands. With seed capital provided for private business and with the encouragement of private capital inflows, Micronesia will have all the necessary tools for sustained economic and social advancement.

Mr. Chairman, I most strongly urge the committee to give favorable consideration to our request for higher ceilings for the next several years. I firmly believe that such action is in the long term interests both of Micronesia and of the United States.

STATEMENT BY REPRESENTATIVE RAYMOND SETIK, TRUST TERRITORY OF THE
PACIFIC ISLANDS

Mr. Chairman: It is a pleasure to appear once again before this Committee and have the opportunity to represent the people of Micronesia at these hearings concerning proposed new ceiling legislation.

We have appreciated your concern and assistance in the past with regard to budget matters and look forward to such at these hearings in the future.

At the outset I would like to draw our attention to the fact that our budget concerns, such as the subject legislation before us now, are increasingly becoming tied into the future political status of Micronesia. Not only will this legislation have an impact on the daily lives of our people, but it will also greatly influence the foreseeable period of transition into a new status with the United States and also influence the post transition period during which Micronesia will become internally self-governing.

Because of this need to increase Micronesian control and responsibility for our civil administration, Mr. Chairman, I would like to reiterate the desire of the Congress of Micronesia that it be given the final authority to allocate funds from a block grant for the Trust Territory of the Pacific. This step has been requested for several years now, not only by the Congress of Micronesia, but also by the Trusteeship Council and it has also received the support of our High Commissioner, Mr. Johnston.

With this request in mind, I now wish to turn to the legislation before us which proposes to implement new funding levels for Micronesia.

Clearly, Mr. Chairman, these proposed increases are needed, and while we are uncertain as to if they will prove to be sufficient, there is no doubt in our minds that increases are necessary. We say this because it is obvious that at the present level of funding, not all the basic important infrastructure needed for a self-governing Micronesia can be completed before the end of the transition period. And at this point it should be noted that this is a basic infrastructure—there are no “frills” or “luxury items” in these projects. An increase in ceiling will thus put us closer to the mutually desired objective of bringing Micronesia closer to economic sufficiency, so necessary under a new political status.

Therefore, it is our position that new authorization levels must take into account the following factors:

1. Micronesia is not a department or agency of the United States. It is a developing nation. It is a growing entity. Micronesia is a place of a growing population, of an increasing tourist trade, and of a widely fluctuating market for its primary agricultural product, copra. Micronesia, with its ocean is also a place of vast potential for development of marine resources. Any budgeting for Micronesia must be flexible enough to account for these vital facts.

2. Rising Costs. From an overall point of view, the authorization for Micronesia should take into account inflationary factors for both construction projects and personnel services. The long lead time inherent in the present budgetary process sometimes results in what *was* a sufficient and effective funding level being overtaken by inflationary influences.

3. Flexibility. The amounts authorized for appropriation must be based on a flexible principle to allow for adjustments as future events warrant it. The converse of this would be to keep returning to the U.S. Congress for additional requests, or for new ceiling legislation—both courses being both costly and time-consuming.

4. Changes. The maximum ceiling amounts must take into account that there may be emergency and unexpected changes and additions which will occur during the authorization period. Since much of the budget is devoted to capital improvement projects, and *all* of these projects are priority items, allowances must be made for additional items or cost changes. If allowances are not made for change, then projects will be deferred with the consequent effect of deferring transition into self-government.

5. Categorical Assistance Programs. Under the present legislation an additional \$10 million is authorized for FY's 1974 and 1975 for Federal programs which would be lost as a result of revenue sharing in the U.S. A determination must be made as to how this matter must be handled for the fiscal years now under consideration. If no allowance is made for continuance of some of these programs, then they will either have to be dropped entirely, or funded in some limited way from the already overstrained fiscal capabilities of the Congress of Micronesia which, as you may know, has enacted revenue sharing legislation effective beginning next year. Neither of these two latter possibilities appear to be feasible.

6. Status and Transition. Lastly, new ceiling levels for funding should take into account any changes, or additions which might result from developments in the transition period related to Micronesia's future political status. Given the present intentions of the Mariana Islands District, it is a distinct possibility that funding for a new capital of Micronesia might have to be sought within the period of the proposed authorization, or that funding for planning for this eventuality might prove necessary.

Assuming the foregoing factors are utilized in defining the funding levels to be authorized, appropriations will be sought primarily for capital improvement projects, and to a lesser extent for operations which cannot be accommodated in the projected limits for operations and maintenance. Therefore the bulk of Capital Improvement Projects will be for infrastructure. Of first priority in this area, because it has such a vital, multiplier effect on all aspects of life in Micronesia, will be the construction of a fleet of versatile inter-island field trip vessels which can meet the present docking and harbor conditions in Micronesia and can also accommodate containerized cargo. Also of equal importance will be the rehabilitation or construction of hospitals, schools, and airfields.

While it is our intention to keep down the costs of operations in future years, there will also be a need to use a lesser portion of the authorization for trans-

portation, medical support and other operations and maintenance services, including utilities. Also included in this area will be funds for economic development planning which rates an extremely high priority for us at this time. We consider this area for first-rank importance in achieving greater economic self-sufficiency in the future. We say this because we can see that in the not too far future, Micronesia like other development countries will have to re-orient its government expenditures and total growth on the basis of total resources available, and not on the basis of a myriad of needs which cannot be met due to constraints in income, manpower, and natural resources.

Therefore, Mr. Chairman, we ask your support in favorably considering increases in the ceiling for the Trust Territory and that our concerns as expressed be taken into account in enacting this legislation. If this is accomplished, then we feel certain that a period will be reached in the future where our funding requests will decrease as economic growth, made possible by a completed infrastructure, will allow Micronesia to increasingly rely upon its own economy.

Thank you.

Mr. BURTON. Mr. Wilson, do you want to proceed?

Mr. WILSON. Very well, Mr. Chairman.

I will dispense with the reading of my statement under the circumstances and concentrate instead, if I may, on the two issues under consideration today. The first is the request to raise the present authorization ceiling for the Trust Territory of the Pacific Islands to \$75 million in the current fiscal year, and \$80 million in the fiscal year to come.

This request is very closely related to negotiations which have been underway for some time to determine the future status of the Trust Territory of the Pacific Islands, in particular the island groups of the Marshalls and the Carolines.

Mr. BURTON. Mr. Wilson, I think we ought to have one thing clear at this point, and that is that if the subcommittee recommends this legislation—as I anticipate it will—that you understand that this, in no way, can be reflected as any approval or disapproval or prejudgment, if you will, of the negotiated package or packages that may be coming to us at a later date.

That is understood; is it not?

Mr. WILSON. That is perfectly understood, Mr. Chairman.

In fact, I believe I can say without contradiction on the part of my colleagues here that the sums will probably be recommended by the administration in any event. It is simply their close connection with these negotiations that makes it appropriate for us to speak to it at this point.

Mr. BURTON. At this point I am going to yield the chair. This subcommittee is noted for its nonobservance of protocol, and perhaps we will establish a "first" of sorts, by letting the ranking minority member assume the chair.

I regret the necessity of my having to be downstairs. We have matters of direct import to this particular subcommittee on the floor, and I simply must beg your leave for now.

So I turn the chair over to the distinguished gentleman from California, Mr. Clausen.

Mr. CLAUSEN. Yes.

Very briefly, I thank the gentleman for yielding the chair to me. Before the gentleman leaves, I think we should state for the record that I am fully aware of the need for his presence on the floor because he has been so active in the entire committee reorganization effort, some of which is to protect the interests of the members of this committee.

But it is conceivable—and I will discuss this with the other members, depending upon how the hearing proceeds—but it is conceivable that on the trust territory budget authorization legislation that is pending before us, it might be in the best interest of time, in light of the fact that you cannot be here, for us possibly to move the legislation to the full committee, without prejudice. And in this way, it would give us a chance to evaluate all of the testimony, and for you and any other committee member that could not be here, to offer amendments before the full committee.

Mr. BURTON. I respect whatever judgment the subcommittee makes in that respect.

Excuse me, thank you.

Mr. CLAUSEN. Mr. Wilson, did you have any further comments that you wanted to make?

Mr. WILSON. I would like to say with respect to the second item, Mr. Chairman, the request for \$1.5 million for special transitional activities in the Marianas Island District, that these, too, are closely connected with our ongoing negotiations. Indeed, they reflect an agreement reached ad referendum by the negotiating sides last May in the fourth round of our negotiations in Saipan.

Mr. CLAUSEN. Does this pertain to the Marianas' negotiations?

Mr. WILSON. This would be ad referendum on the one hand to the Marianas District Legislature and on the other, of course, to the Congress of the United States.

In regard to that request, we have here agreed with the representatives of the Marianas that it would be essential, if they are to get off to a good start in their new relationship with the United States, to have an intelligent and as carefully planned as possible a period of study of the transition process. This would range from the uses to which they would put U.S. direct financial assistance in the future, to the questions of how they will frame their own constitution, how they will adapt their old government organization to the new organization developed under their new constitution, and how they will put together their new legislative program, which will be of great importance in launching the new Government of the Commonwealth of the Marianas.

We have talked specifically, Mr. Chairman—if you will turn to the bottom of page 6 of my prepared statement—of several different uses for this \$1.5 million. These are set out beginning on page 6 and continuing through page 7.

Briefly, they are divided into the expenses for a Joint Secretariat, which would administer this program, expenses for research and planning—including government reorganization and economic and social planning—and expenses for scheduling specific transitional steps. That includes political education, an actual constitutional convention, and the election of the new government.

The details are set forth in the table included in that statement.

Mr. CLAUSEN. I have some questions I will be directing to Mr. Wilson and also to High Commissioner Johnston. And I think for the purposes of the hearing it might be best if we considered you as the administration witnesses, and then we shall direct any questions following their presentation to the witnesses from Micronesia.

I have some questions, but I will withhold them and yield to anyone on the subcommittee who has questions to direct to Mr. Wilson. The gentleman from New Mexico.

Mr. LUJAN. You have talked primarily about the \$1.5 million for the transition. I am more interested in the 25-percent increase from \$60 to \$75 million.

Why such a large increase? It is very generally talked about for field trips, sheds, airfields, powerplants, roads, and docks. Could you give us a little more information on that? What you intend to do as opposed to what you have been doing?

Mr. WILSON. If I may, Mr. Congressman, I would like to ask High Commissioner Johnston if he could speak to this in more detail.

But let me say in specific terms that we are asking here for an increase in government operations from the present level of approximately \$48 million to \$55 million in the current fiscal year and in the fiscal year to come.

This is a sum which is made necessary almost entirely by the cost increases which have occurred during past months.

And we do not anticipate on this basis that there will be any material increase in the level of government operations given these new figures.

Mr. LUJAN. So the \$55 million is just for running the government?

Mr. WILSON. That is correct.

Now, with regard to the capital improvements program, we have recommended an increase in this fiscal year from the present level of approximately \$9 million to \$20 million. This is the start of a new 5-year program which has been developed in the trust territory, pursuant to an invitation which was extended by Secretary Morton in a speech last January to the people of Micronesia. In this he recognized the desirability of putting in place as soon as we can feasibly do so the basic infrastructure which is needed in the districts.

These are such things as airports and new airport facilities, adequate roads and docks, hospitals, government operations, classroom space, science equipment; and in the outer islands, small hospitals, some roads, dispensaries, schoolhouses—this sort of thing.

This is in no sense intended to be anything other than a recognition of the basic needs which the people of all of the districts are going to require over this period.

Mr. CLAUSEN. Will the gentleman yield?

Mr. LUJAN. Yes.

Mr. CLAUSEN. And these basic infrastructural requirements that you have alluded to in response to his question, was this an understanding that evolved as a result of the negotiating process?

Mr. WILSON. That is correct.

We have gone over this in great detail with the chairman of the Congress of Micronesia's Joint Committee on Future Status, and have discussed it with him and other representatives of that committee.

Mr. CLAUSEN. For the record, when you say "the chairman," do you have his name?

Mr. WILSON. This is Senator Lazarus Salii of Palau.

We have discussed with him and with other representatives of the committee a program of financial assistance beginning with the end of the trusteeship, assuming that we can reach an agreement on a compact free association.

This is a program which would extend, at least initially, over a period of some 15 years, beginning at a level which is somewhat less than the current levels of expenditure, and then descend both in terms of government operations and in terms of capital improvements.

Our theory here is one, that during this time the new government of Micronesia will have at its disposal increasing resources from its own revenues and, two, that in the process of phasing into their own new government, they will hopefully be able to do so on a somewhat simplified basis—a more decentralized basis—which will make possible certain savings in government operations.

As far as capital improvements go, this would be a sustaining program designed to maintain the level of capital improvements and add a few new ones.

The other part of the discussion has been related to what we call a "transition period," which would extend, roughly, from the present time until the trusteeship ends—about calendar year 1980. During this period the people of Micronesia will be drawing up their own constitution, would be putting their new government into place, would be making their plans for the long haul in terms of economic development goals.

During this same period we would, of course, be seeking the approval of the U.S. Congress for all of these arrangements. Assuming that approval is granted we would then be going to the United Nations to take the necessary steps to terminate the trusteeship.

Mr. LUJAN. Let me ask you about that government operations.

You have an increase of about 15 percent. You are going to give the people of Micronesia more government?

Mr. WILSON. I will refer that to the High Commissioner.

Mr. CLAUSEN. Give your name for the record.

THE EFFECTS OF INFLATION IN MICRONESIA

Mr. JOHNSTON. High Commissioner Edward E. Johnston, Trust Territory of the Pacific Islands.

I would say that it would be more holding our own, Congressman, rather than giving more government.

We have been hit possibly harder by inflation than have many other areas, particularly in the area of fuel costs, which have gone up even more dramatically in the trust territory—and in that general Pacific area—than they have here on the U.S. mainland.

The cost of fuel, for example, more than doubled during calendar year 1973. So we find that it costs more to merely continue the services that we are now giving. Plus when we put more infrastructure in place—new classrooms, new hospitals—we do need more people to maintain the larger facilities. Those are the general causes for the increase in operations.

INFRASTRUCTURE NEEDED FOR DEVELOPMENT

And as Mr. Wilson has said in the capital improvements programs, our goal is that in the next 5 or 6 years of the transition period—assuming that all goes well with the status negotiations—that in this 5- or 6-year period we should leave for the Micronesian people, as nearly complete a physical infrastructure as possible so that they can be as near as possible to being self-sufficient in a relatively short period of time.

GROWTH OF LOCAL REVENUES

Mr. LUJAN. Will they be able to afford that infrastructure which you are putting together?

Mr. JOHNSTON. Well, this is the problem, this is the inevitable problem in Micronesia.

I am sure that Congressman Setik would be willing to speak to that as a Micronesian citizen and as chairman of the Congress' Joint Committee on Program and Budget Planning.

But certainly, the locally generated revenues will increase. We now have a territory-wide income tax. It is a very basic tax, but it is steadily increasing and providing the Congress with a little more locally generated revenues each year.

Mr. LUJAN. Will it ever get you \$60 million, which is your 1980 figure?

Mr. JOHNSTON. It certainly wouldn't get to that overnight. It would take a number of years.

But if there is enough growth—particularly in the two fields of marine resources and tourism—it possibly could in the future.

Mr. LUJAN. Thank you, Mr. Chairman.

INFLATIONARY TRENDS IN MICRONESIA

Mr. CLAUSEN. Mr. Commissioner, along those lines, I am wondering if—if you can respond now, fine—if you would provide for the record statistical data relative to the inflationary trends in the Trust Territory, and then, specifically, the impact on the cost of transportation, building materials, and foodstuffs.

Mr. JOHNSTON. Yes, sir. We would be very happy to provide that for the record.

[The information follows:]

During FY 1974, our records show that food prices have increased about 50%; diesel fuel and gasoline by 138%; air fares by 22%. The price increases of construction materials have varied but an average of nine major items showed an increase of 68%.

Mr. CLAUSEN. Does the gentleman from Guam have any questions?

Mr. WON PAT. Yes, Mr. Chairman.

Mr. CLAUSEN. The gentleman from Guam is recognized.

Mr. WON PAT. I note that you are asking for \$1.5 million for the transitional program, also that you have earmarked almost one-third of that for administration.

How do you break that down, the \$550,000?

Mr. WILSON. These are made up primarily, Mr. Congressman, of salaries for six professional members of the Joint Secretariat staff,

plus travel for a limited number of persons, plus clerical and administrative support for the group.

I should say that the period of time which we are talking about here would extend from between 18 months to 2 years so far as this section of the proposed budget is concerned. The other items which are included in the table are, as indicated in the footnote to that table, one-time costs only.

We have as part of the record of our discussions with the Marianas last May the report made by the Ad Hoc Committee on Transition, which has been previously made available to the staff of this committee.

I will be very happy to make this a part of the record, if that is desired.

Mr. WON PAT. I think the staff will make that available.

Mr. CLAUSEN. Without objection, it will be admitted in the record at this point as part of the response to the gentleman from Guam's question.

[The information follows:]

REPORT OF THE AD HOC PREPARATORY COMMITTEE ON TRANSITION IN THE MARIANAS

[Corrected To Reflect the Agreement of the Principals reached at Fourth Round of Negotiations, May 1974]

INTRODUCTION

During the Third Session on the future political status of the Marianas, the Chairman of the Marianas Political Status Commission (MPSC) and the President's Personal Representative for Micronesian Status Negotiations agreed that a joint Ad Hoc Preparatory Committee should be established to study and make recommendations regarding the scope, organization and timing of studies and programs necessary to an orderly transition to self-government in the Marianas. Agreed terms of reference for the Ad Hoc Committee are attached.

Pursuant thereto the Ad Hoc Committee has met and submits the following report to the Chairman of the MPSC and to the President's Personal Representative for Micronesian Status Negotiations.

General

Several discrete but interrelated steps are involved in creation of a self-governing Commonwealth of the Marianas. The first is a plebiscite to determine the future political status of the district. The second is a series of steps starting with the drafting of a constitution by a constitutional convention, followed by a constitutional referendum, the organization of a new government structure, the election of a new government and the drafting of an initial legislative program. The main responsibility for planning and implementing these latter activities should be borne by local leaders and institutions.

The Ad Hoc Committee is not able to make a firm estimate as to the time required to complete all of the tasks or activities mentioned in this report; it believes, however, that approximately two years is a reasonable timeframe.

In addition, there is a need for appropriate educational efforts to prepare the people so that they can participate in these activities or make an informed choice when a popular referendum or election is held.

It is also evident that if the new Commonwealth is to prosper, its leaders will require a sound plan for the social and economic development of the district, which takes into account all factors relevant to economic growth and social progress.

In this report the Committee presents its views and recommendations on the kinds of organizations, preparatory work and timing that will be required during the period preceding the installation of a new government, referred to as Phase I, plus a recommended budget.

Organization

In order to ensure a timely and effective implementation of the necessary transition measures, the following organizations should be created immediately upon the signing of a status agreement.

A JOINT MARIANAS-U.S. COMMISSION ON TRANSITION

There is a joint responsibility for ensuring that the agreements reached on transitional steps are carried out as planned. In line with this the Committee recommends that a Joint Commission on Transition, an ex-officio body, be organized with the following members: the Chairman of the MPSC or its successor; the President of the District Legislature; two current or former members of the MPSC, one each from Tinian and Rota, appointed by the District Legislature; the Marianas District Administrator; the President's Personal Representative for Micronesian Status Negotiations; the Director, Office of Territorial Affairs, Department of the Interior; and up to two U.S. representatives to be designated.

The Commission should have two Co-Chairmen and meet on the call of either.

The main functions of the Commission should be:

1. To insure that the terms of the status agreement and all related agreements on transition reached by the Marianas and the U.S. are faithfully executed;
2. To provide an institutionalized channel for close and timely consultation and liaison between the Mariana Islands and the U.S. Government on all significant transitional matters;
3. To formulate general guidelines for all necessary planning and research to be carried out during Phase I on matters of joint concern;
4. To provide policy guidance to the Joint Secretariat and perform whatever additional necessary functions it may decide are appropriate to the implementation of the Phase I program, *e.g.*, to review studies or reports prepared by experts or the Secretariat.

A TRANSITION SECRETARIAT

To ensure that the general policy on transition and the specific guidelines of the Joint Commission are carried out, the Ad Hoc Committee recommends the creation of a full time "executive agent," a Transition Secretariat. This group would in essence be the "operating arm" of the Joint Commission.

It is our recommendation that this Secretariat be staffed by highly qualified professionals appointed by or approved by the Joint Commission, as follows:

1. A Director—preferably a citizen of the Marianas.
2. A Deputy Director, who would act as the Executive Officer—preferably a citizen of the United States.
3. A political scientist, ideally one who is expert in the field of public administration and constitutional law or state and local government.
4. An economist with substantial experience in dealing with problems of economic development.
5. A physical planner.
6. A liaison officer.

The Secretariat should be headquartered on Saipan and be fully responsible to the Joint Commission. It will also require a small clerical staff.

The Ad Hoc Committee recommends that the Joint Commission appoint the Director and Deputy Director of the Secretariat. The Director of the Secretariat would have the power to employ all but the Deputy Director, subject to the approval of the Joint Commission. He should also have the authority to let contracts or to hire expert consultants, within pertinent guidelines furnished by the Joint Commission.

Funds for salaries and other requisite support for the Secretariat should be provided by the U.S. Government through the Trust Territory Government.

SPECIFIC FUNCTIONS OR RESPONSIBILITIES OF THE SECRETARIAT

The primary role of the Secretariat would be to "manage" the study program approved by the Joint Commission and to ensure that all of the important steps toward the new political status, such as a constitutional convention, referendum, etc., are carried out on schedule; it should also:

1. Be responsible to the Joint Commission for planning, implementation and coordination of all agreed Phase I programs and activities falling under the Joint Commission's responsibility, *i.e.*, serve as the staff arm of the Joint Commission;
2. Employ private firms or consultants as may be required to provide special advice or studies;
3. Administer all Phase I funds and provide quarterly progress reports to the Joint Commission on Phase I joint activities;

4. In addition, the Secretariat should be authorized to respond to requests from the Marianas representatives on the Joint Commission for assistance in the implementation of those transitional studies or activities which are principally the responsibility of the Marianas people.

In carrying out its responsibilities, the Secretariat should utilize to the extent available, the expert advice and services of personnel of the United States Government, the Trust Territory Government and the District Administration, and its political subdivisions.

Work plan

There are two distinct kinds of activities needed to effect the transition to self-government and to initiate desired economic and social programs: 1. Research and planning activities; and 2. Specific or scheduled events and activities.

The first of these categories, research and planning, should include two major subdivisions: (a) Studies or planning needs to establish and organize the new government and its initial program; and (b) Studies or planning required in the economic and social area.

GOVERNMENT ORGANIZATION PLANNING

The following main projects are needed in this area:

A. Studies and Planning for a Constitutional Convention

The MPSC should take the lead in this area, for it is the people of the Marianas who will have to live with the consequences of all planning and related events regarding this critical effort.

The Secretariat should provide all appropriate assistance.

B. Research and Planning Regarding the Organization of a New Government of the Marianas and its Initial Legislative Program

These tasks are also of primary concern to the MPSC and other political leaders of the district.

The principal requirement is to prepare a plan for the reorganization of the current system of government—a blueprint on how best to convert from the present governmental structure to that established by the new constitution.

This will require a careful and discriminating planning effort. Some select research plus expert advice will be required.

Preparatory work in planning for and drafting an initial legislative program should also begin during Phase I, although there should be ample time for the Secretariat to review this requirement during the initial months of Phase I. This project will mainly require experts skilled in drafting legislation needed to effect decisions on government reorganization and to get the new government off to a good start.

C. Studies Regarding the Retention or Extension of U.S. Programs and Services

It is the Ad Hoc Committee's view that the Secretariat should be instructed to ensure that a thorough review of all U.S. programs and services of potential value to the new Commonwealth of the Marianas be undertaken by experts during the early stage of Phase I.

ECONOMIC AND SOCIAL PLANNING

Extensive economic and social infrastructure planning should be initiated during Phase I to enable the new government to determine its fundamental goals and policies in this area. Such planning will also facilitate agreement on the kinds of external aid or assistance most relevant to the needs of the Marianas in these areas within the annual levels of assistance provided in the status agreement.

Planning in this area can probably be best done by an appropriate combination of government experts, U.S. or local, and private firms or consultants—including experts in such functional areas as agriculture, tourism, land use and management, fishing, government finance, etc.

This category of planning should include, but not necessarily be restricted to, all necessary research and planning for the following: (1) the drafting of a general plan for socio-economic development; (2) a fiscal and revenue plan; (3) a physical (infrastructure) plan; and (4) studies regarding the economic and social impact of relocating the capital of Micronesia.

A. Economic and Social Development Planning

First priority should be given to research activities required to form a basis for a development strategy and long-range social and economic development goals and programs—including health and educational goals—taking account of demographic trends, resource availabilities, including labor, water, soils, external assistance, etc.

Economic and social development planning should embrace several distinct but interrelated parts—recommendations regarding general development goals—social as well as economic, proposals for long-range government revenues and expenditure patterns plus general goals for the development of the district's infrastructure.

It should be the task of the Secretariat to determine what specific research or planning efforts are required to pose and analyze the principal alternatives and to suggest solutions most relevant to the situation.

B. Fiscal and Revenue Planning

The principal need here is to identify possible sources of additional government revenue and to analyze alternative fiscal policies designed to provide a set of incentives for economic growth and an equitable distribution of the burden. Efforts in this particular area need to take full account of any decisions or guidance based on the work being done on the definition of social and economic development goals and programs.

C. Physical—Infrastructure—Planning

It is clear that a certain amount of planning in this area needs to be done during Phase I, albeit additional detailed planning will inevitably follow in the Post-Phase I period. The Ad Hoc Committee believes that the main requirement is to identify in the first instance the limitations placed on development by the constraints of the environment—climate, soils, fresh water, manpower, etc. Therefore, the examination of already completed physical planning documents will be an early and integral part of the economic development study.

It is the Ad Hoc Committee's opinion that a substantial amount of useful planning has been done in the District. Full account should be taken of this by those charged with developing an overall, integrated plan. Once a general economic strategy begins to take shape, a follow-on study of physical infrastructure requirements will need to be undertaken. The purpose of that study would be the formulation of a time-phased plan of physical improvements essential to the furtherance of economic and social development of the Marianas. It would deal with such matters as urban housing, recreation, schools and hospitals, etc., in the area of social development, and roads, docks, power, water, transportation, etc., in the area of economic development infrastructure.

The Ad Hoc Committee recognizes that physical planning in addition to that for which funding is proposed in this Report will be required in the Marianas. It cannot be determined at this time, however, exactly how much additional physical planning may be necessary or desirable and when it would be most timely. The Ad Hoc Committee agrees, therefore, that the question of additional physical planning will be reexamined during Phase I by the Secretariat, subject to review by the Joint Commission, and that such additional funds as are necessary will be requested by the Executive Branch of the U.S. Government during either the latter part of Phase I or the initial stages of Phase II.

D. Special Impact Studies

There is an obvious need for early and effective planning efforts with respect to the following matters: (1) local impact of relocation of the capital of the TTPI; for example, the need to reassign or find alternative employment for displaced personnel; (2) the use of vacated facilities on Capitol Hill; and (3) programs needed to train or retrain government personnel in the Marianas.

SPECIFIC EVENTS OR ACTIVITIES

Planning for the following discrete events or activities toward the realization of the new political status should begin early in Phase I and include:

A. *A political education program.* This should be aimed initially at gaining widespread understanding of and support for the proposed status agreement. In effect this effort has already begun. Local leaders should continue these efforts and be able to look to the Secretariat or local governmental entities for all appropriate support.

B. The status plebiscite. The nature and timing of this should be a matter of priority concern to the Joint Commission and be implemented by the District government prior to the holding of a constitutional convention. Otherwise, serious problems could arise during the drafting of a new constitution and the planning of the new governmental structure.

C. The election of delegates to a constitutional convention and convening of the convention. This should be based on the preparatory work mentioned above and consultations between leaders of the District Legislature and the Administration, once the Joint Commission has had an opportunity to provide general guidelines.

D. A constitutional referendum. This should be held after an intensive educational effort by the leaders of the constitutional convention and their principal supporters with appropriate support from the Secretariat and the Administration.

E. Election of a new Marianas Government.

TIMING

The AD Hoc Committee's recommendations in this area are based on the assumption that the status plebiscite will precede rather than follow or occur simultaneously with the constitutional referendum.

It is assumed that the order of events would be the initiation of a program of education on political status, a status plebiscite, planning for the constitutional convention, a program of public education regarding the proposed constitution, planning the new government, and the installation of the new government, following U.S. Congressional review and approval.

Necessary planning and related preparatory work in other areas, such as economic and social planning, should commence as soon as possible after Phase I begins. The Ad Hoc Committee recommends that as much as possible in the way of preliminary organization be done before Phase I begins, for example, the lining-up of personnel for the Secretariat.

The Secretariat should, as a matter of first priority, draw-up a more detailed time-phased work program covering Phase I.

Proposed budget

The United States as the Administering Authority will be responsible for funding all Phase I activities, including the expenditure of any U.S. funds on agreed studies or projects. Therefore, the U.S. contribution to any of the above tasks, whether in the form of grants or payments to cover the administrative costs of the Joint Commission or the Secretariat, must be funneled through agents or agencies designated by the U.S., such as the Headquarters of the Trust Territory Government. For example, funds for the preparatory work and holding of the constitutional convention should be in the form of direct grants from the U.S. through the designated agency of the Trust Territory Government to the District Legislature. Conversely, U.S. funds for the support of the Secretariat or for physical planning should pass through the Trust Territory Government to the Secretariat for appropriate disbursement.

The proposed budget does not include the significant contributions already made or which will be devoted by the Trust Territory Government to projects or activities that should also be viewed as an integral part of transition to self-government, e.g., infrastructure projects, and the land cadaster program.

With regard to the latter, the cadaster program, it should be kept in mind that the U.S. is committed to complete a public land cadaster program within three years. Funds for this program were included either in the Fiscal Year 1974 supplemental budget or are being requested as part of the Fiscal Year 1975 budget for Micronesia. If additional funds are required to meet this commitment more money will be requested. The District Administration is responsible for the implementation of this program and is already organizing for this task. Therefore, the amount proposed earlier by the MPSC for this purpose is not included in the attached draft budget estimate. If they were, the total would increase by approximately \$1.6 million—the current estimated cost of the three year program for the Marianas District.

Moreover, the attached budget estimate does not reflect the considerable work which the Trust Territory Administration intends to perform in the District in the areas of physical planning, public works, agriculture, education, etc., during Phase I and II. In this regard, there has recently been a considerable upgrading of the planning effort at the district level. Supporting work by appro-

prate sections of the District Administration in such areas as physical planning will continue until the Trusteeship ends. Thus, the indirect contribution of these efforts to Phase I planning should be recognized by all concerned.

The need for the training of additional public servants and technicians is well recognized and will doubtless receive priority attention by the leaders of the Marianas and the U.S. Administration during the transitional period. In fact, the Department of the Interior has already initiated an intern program in this area. Therefore, funds for this are not included in the attached budget estimates.

The suggested allocations which follow should be viewed as tentative and subject to transfer to related tasks in accordance with agreed guidelines from the Joint Commission or recommendations of the Secretariat. A high degree of flexibility within broad functional divisions will be required in the interest of good management and timing.

It should also be recognized that additional funds for research or studies not yet identified or to augment agreed planning tasks may be required during Phase I. The U.S. is prepared to meet the costs of additional research or studies judged necessary to complete the agreed planning tasks, to include those which may need to be extended into Phase II.

The costs of administration are annual and will continue as necessary until the agreed tasks are completed. Budget estimates for research and planning and scheduled transitional steps are "no year" funds—i.e., they should be sufficient to complete the task or activity. As mentioned above, some additional funds for new or expanded work may be needed. It should be recognized, however, that all proposed U.S. expenditures are subject to Congressional approval and the availability of funds.

Recommended Phase I budget

Administration:	
Joint commission.....	\$20, 000
Secretariat	230, 000
Contingencies	10, 000
Subtotal	260, 000
Research and planning:	
Government organization:	
Studies and planning constitutional convention.....	50, 000
Research and planning government reorganization.....	50, 000
Initial legislative program.....	50, 000
Research U.S. Federal programs and services.....	50, 000
Subtotal	200, 000
Economic and social planning:	
Economic and social development planning.....	225, 000
Fiscal and revenue planning.....	50, 000
Physical planning.....	225, 000
Impact relocation of capital.....	50, 000
Subtotal	550, 000
Schedule transition steps:	
Political status education program and status plebiscite.....	50, 000
Constitutional convention.....	75, 000
Constitutional education program and constitutional referendum.....	50, 000
Election new government.....	25, 000
Subtotal	200, 000
Grand total.....	1, 210, 000

Attachment.—Terms of reference for special ad hoc committee.

TERMS OF REFERENCE FOR THE AD HOC PREPARATORY COMMITTEE ON TRANSITION

A joint Ad Hoc Preparatory Committee will be appointed forthwith by the Marianas Political Status Commission and the President's Personal Representative to study and make recommendations to the Chairmen of the Marianas

and U.S. Delegations before the next negotiating session regarding the scope, organization and timing of studies and programs necessary to an orderly transition to self-government in the Marianas. Specifically, the Ad Hoc Preparatory Committee will recommend to the Chairmen of the two delegations the following:

1. A detailed work plan, including a timetable and sequence of events, for preparing and undertaking:

- (a) A political education program;
- (b) A plebiscite on future political status;
- (c) A constitutional convention and referendum;
- (d) Legal studies relating to the organizational structure and initial legislative program of the new commonwealth government;
- (e) Studies to identify the Marianas' economic, social and physical infrastructure needs, taking into account as appropriate extant studies on these matters;
- (f) Studies to develop an appropriate fiscal and revenue system for the Marianas;
- (g) A study of the economic or social impact on the Marianas of a relocation of the Capital of Micronesia.

2. An appropriate organizational structure for accomplishing the important transitional studies and programs. This recommendation will include a description of how a Joint Commission could be organized to provide general guidance for the implementation of these tasks and how a Joint Secretariat might be established to provide specific direction and continuing administrative support;

3. A detailed budget to cover the costs of essential studies, programs, and events falling within the transition period.

The Ad Hoc Preparatory Committee will report their recommendations to the Chairman of the Marianas Political Status Commission and the President's Personal Representative no later than March 1, 1974. The Chairman and the President's Personal Representative will meet informally shortly thereafter, and before the next session of negotiations, to discuss how to proceed regarding implementation of the recommendations of the Ad Hoc Preparatory Committee.*

Mr. CLAUSEN. Will the gentleman yield on that point?

Mr. WON PAT. Yes.

Mr. CLAUSEN. In the session on the Marianas political status negotiations, \$1.2 million was agreed upon for the phase I budget. What justification can be provided for the \$290,000 increase that has been requested?

Mr. WILSON. The difference there, Mr. Chairman, is the difference I referred to a moment ago in answering Congressman Won Pat's question. The \$1.2 million referred only to the first year; \$1.5 million is the figure for 2 years, adding in the necessary increment to the administrative expenses.

Mr. CLAUSEN. Well, that is the general response.

But what is the justification for this increase, the \$290,000 increase?

Mr. WILSON. It is estimated that the Joint Secretariat will have to continue its operations beyond 1 year. Most of the funds which are included in the other part of the proposed budget are, as I indicated, one-shot figures in the sense that most of this will be contracted out. It will be obligated during the course of the first year, whereas the administrative expenses for the Secretariat will be continuing beyond

*The members of the Ad Hoc Preparatory Committee were, for the U.S. Delegation, R. Y. Scott and S. A. Loftus; and for the MPSC, H. P. Willens and J. R. Leonard.

the first year and will be necessarily continuing as the activities are wound down at the end of the transition period.

Mr. WON PAT. Who will constitute the joint commission and how many members will there be?

Mr. WILSON. The Joint Commission, Mr. Won Pat, would be an ex officio group consisting of, I believe, seven members, including on the American side such people as the Director of the Office of Territorial Affairs and the local representative of the administering authority. On the Marianas side there would be the president of the district legislature, the chairman of their political status commission, et cetera.

This will be a group which will supervise the activities of the Joint Secretariat broadly speaking. The Joint Secretariat will be a group which is hired specifically for the purpose; it would be directed by a Marianas citizen, highly qualified; it would have a deputy director, who would also serve as administrative officer, who would be an American citizen and handle the funds which would be made available for this purpose.

We would then have a staff of four professional representatives on such things as economic studies, governmental studies, physical planning, and so forth.

Mr. WON PAT. You have a breakdown here with respect to economic planning, legislative planning, and so on. This calls for a certain amount of appropriations for which otherwise the Secretary, with all his personnel, would have the responsibility.

Mr. WILSON. We would visualize that these staff people would be the ones who provide, essentially, the basic advice on how these funds would be programed and how they would be contracted out.

Obviously, a group of this size is not going to have the capability to do all of the studies in question. What we have in mind is that they would call upon outside experts of one sort or another with particular competence in specialized fields who would, in turn, do the actual studies. These are the funds that are included under the three other headings in the proposed budget.

Mr. WON PAT. I see.

The Secretariat will enter into a contract—or, rather, will contract it out, is that it?

Mr. WILSON. As far as the study program is concerned, yes, sir.

Mr. WON PAT. I yield, Mr. Chairman.

Mr. CLAUSEN. Does the gentleman from Ohio have any questions?

Mr. REGULA. No.

Mr. CLAUSEN. The gentleman from Washington.

Mr. FOLEY. Who is going to carry out the program, the contractors?

Mr. WILSON. This will be for the——

Mr. FOLEY. Joint Secretariat.

Mr. WILSON. For the Secretariat to determine, under the guidance of the Joint Commission itself.

Mr. FOLEY. Now you said "the Secretariat" rather than "the Secretary"?

Mr. WILSON. Right.

Mr. FOLEY. I don't think I have any questions at this time, Mr. Chairman.

Mr. CLAUSEN. The gentlelady from Hawaii.

Mrs. MINK. No questions.

Mr. CLAUSEN. Does that conclude your testimony, Mr. Wilson?

Mr. WILSON. That concludes my testimony, Mr. Chairman.

Mr. CLAUSEN. Off the record.

[A discussion off the record.]

Mr. CLAUSEN. On the record.

Do you have any further comments, Commissioner Johnston? Your testimony has been placed in the record.

Mr. JOHNSTON. No, sir.

THE TIME REMAINING TO REBUILD THE INFRASTRUCTURE

I think the additional comments I would like to make were in answer to the question of the gentleman of New Mexico. We do feel that the United States should, in the next 5 or 6 years, come as close as possible to building a viable infrastructure for the new state of Micronesia when they reach that stage in that transition period.

Mr. CLAUSEN. Well I am going to speak for myself, and I am sure that most of the people here have been made fully aware of the fact that in the country—and I am talking now in terms of here in the United States—there is an increasing demand, because of the inflationary situation in the United States, for the Congress—both the House and the Senate—to move in the direction of a more careful scrutiny and evaluation of all budget requests.

And I think this trend will be intensified, as I see it, at least for the next couple of years.

And with this kind of belt-tightening, insofar as some of these expenditures that you have been referring to, are any of them in the category where they can be adequately justified now? What would be the consequences, if, for instance, the committee decided that the authorization request should not be allowed? What would be the consequences if that were to occur?

Mr. JOHNSTON. If we were to presume that the policy of the administering authority, the policy of the United States, is—as stated by Mr. Wilson and has been discussed during the status negotiations—is to, at the end of the transition period, to have a certain infrastructure in place, a delay would either lengthen the transition period or require heavier expenditures, possibly with even more inflation built in in later years.

The basic problem, as I see it, Mr. Chairman, is that many of these things have been delayed so long now that they are, in fact, long overdue. For a great many years, the United States put no infrastructure in place for the Micronesian people to replace the one which had been destroyed during World War II.

And we are not talking of recreational parks, or gymnasiums, or many of the other things that people on the mainland United States accept as a normal way of life—not as luxuries.

We are talking about roads, power, sewers, good clear water, harbors, and airports that are necessary for them to even start building a viable economic system that will someday, hopefully, sustain itself.

Mr. CLAUSEN. And this was all understood to be a part of the negoti-

ating effort. And do I understand from your response that it would be inadvisable for the Congress to take an adverse position in light of the understanding that evolved from the negotiating process. Is that correct?

Mr. JOHNSTON. I would say yes, sir.

Mr. CLAUSEN. And the reason I am making these points now and for the record is that all of us—which is traditionally our responsibility—must defend whatever we have in the way of an increase on the floor of the House. And it is going to become increasingly difficult for all budget items, not just this one, to clear.

So we need to have that kind of backup data if we are going to be able to sustain the provisions that are included in the House-introduced bill.

Does anyone have any questions of the commissioners?

CURRENT INFLATION RATES IN MICRONESIA

Mr. LUJAN. Yes.

Mr. CLAUSEN. The gentleman from New Mexico.

Mr. LUJAN. Do you know what the inflation factor is?

Mr. JOHNSTON. Well, we are studying that.

Some people have suggested that we use the Guam consumer price index.

Mr. LUJAN. What is that? What would that be?

Mr. JOHNSTON. It has increased about 26 percent over 2 years ago.

Now, at the present time, we are expecting a visit in the near future from a gentleman from Washington who will study the situation over a period from 4 to 6 weeks and try to arrive at some method of determining a proper inflationary index for the Trust Territory of the Pacific Islands.

The Guam consumer price index is—as most consumer price indexes are—based primarily on foodstuffs and household necessities. And our big need is to measure the costs of construction in the capital improvements field.

Now, in the past few years, the cost of such items as reinforcing bar, cement, and so on, have risen from 150 to 200 percent. And this is the type of inflation that we are faced with. When the diesel fuel, as I referred to before, that we need to run our generators, to keep our powerplants going, to keep our ships going—at the start of calendar year 1973 it was about 14 cents a gallon; at the end of the year it was up about 34 cents.

This is the type of inflation we have been faced with. And we are attempting to—as scientifically as possible—to establish an inflationary index for our area.

THE GUAM CONSUMER PRICE INDEX

Mr. WON PAT. Will the gentleman yield?

I want to comment on that 26 percent. You say it is based on the consumer price index.

Mr. JOHNSTON. Yes, sir.

Mr. WON PAT. How is that consumer price index arrived at? Is it compared to any one city on the mainland?

Mr. JOHNSTON. I am not sure, Congressman Won Pat, what methods they used. Guam does have a consumer price index.

Mr. WON PAT. Yes.

Mr. JOHNSTON. And I presume that it is based on a comparison with prices in a given area at a given time. And I am not sure of the exact formula.

Mr. WON PAT. Well, the reason I raised that question is because the Federal Government has just instituted a cost-of-living allowance for the Federal employees there, and it is only 7.5 percent, based on the studies.

So, I was just wondering what basis of comparison was used in arriving at the 26-percent figure?

Mr. JOHNSTON. I think that is a question, basically, for one of the economists to answer, Mr. Won Pat.

Mr. WON PAT. Mr. Chairman.

Mr. CLAUSEN. Yes.

Mr. WON PAT. I yield back my time.

ECONOMIC SELF-SUFFICIENCY FOR MICRONESIA

Mr. REGULA. I am new to this committee, but my guess is that over the last many years the statements have always been that, "We need the money to make these areas more self-sufficient." Is that a fair statement?

Mr. JOHNSTON. That is a fair statement.

Mr. REGULA. Then if that is the case, how come we are supposed to be making them self-sufficient but I see them becoming less self-sufficient, as evidenced by an increase in budget?

Mr. WILSON. If I may comment on that, Mr. Chairman.

Mr. CLAUSEN. Mr. Wilson.

Mr. WILSON. In the case of the Marianas, as indicated in my prepared statement, we have proposed over an initial period of 7 years a program of Federal assistance which would be slightly in excess of the present level of U.S. Government assistance to the Marianas Islands district.

In the case of the other five districts of Micronesia, we have proposed a program which, beginning this fiscal year in terms of Government operations, would increase above the level of last fiscal year; but, expressed in terms of constant dollars would thereafter decrease progressively over a period of years.

Specifically, from the year 1975 through the fiscal year 1980, these figures would reduce from \$55 million to \$45 million. This would be the transition period schedule which I was speaking of.

In the post-trusteeship period, we would begin with a level slightly below that of fiscal year 1980, dropping from six districts to five districts—it is a little confusing—and to \$35 million. This would drop, then, by \$5 million per year for each year of the next 15-year period.

In the case of capital improvements there would be an increase, as I indicated, in the current fiscal year, which would run in increasing amounts through 1978; the idea being to "prefund" or "front-end load" as much as possible of this basic infrastructure we were talking about.

And then it would drop sharply off after 1978—

Mr. REGULA. Would the Marianas' generators be an example of what you are talking about?

Mr. WILSON. Yes; this would be correct.

The capital improvement figures would drop then to \$20 million in 1979, and drop off progressively until at the end of 15 years in the post-trusteeship period it will be down to \$9.5 million.

So we are actually going down overall during this period. This is with the view, as I said earlier, that there will be an increase in the revenues available to the new government of Micronesia and that they will, hopefully by this time, be able to stand more and more on their own feet economically, making progress toward their goal of self-sufficiency.

Mrs. MINK. Mr. Chairman.

Mr. CLAUSEN. The gentlelady from Hawaii.

Mrs. MINK. How do you anticipate that the trust territory would be able to make up the difference of increased revenues in this post-liberated period?

Mr. WILSON. We are dealing here, of course, Mrs. Mink, in an area where the economists differ on their estimates of what may or may not happen. But the studies which have been made thus far would indicate that there should be—all other things being equal—an offsetting increase in the revenues available to the government of Micronesia, so at the level of total revenues available to that government would remain more or less constant, while the level of U.S. support was going down.

Mrs. MINK. Well, where do they get the replacement money?

Mr. WILSON. Primarily from their own taxation.

Mrs. MINK. Out of what activities?

Mr. WILSON. The High Commissioner spoke a few moments ago of the anticipated increases in activities from two principal resources: one is marine resources, particularly fishing, and the other is tourism.

There is the third possibility, which has been taken very much into account here, and that is in the area of agriculture. But the two principal ones are, as the High Commissioner indicated, marine resources and tourism.

Mrs. MINK. Would you be able to supply this information for the record, covering the 25-year U.S. trusteeship—and I have to assume and preface my remarks that the overall objective of the U.S. trusteeship was to increase the economic productivity and self-sufficiency of the trust territory.

And I recall, when joining this committee some 10 years ago, that the very same projections of revenues were made with regard to marine resources, agriculture, and tourism, which have never materialized.

So, what I would like to request for the record is a report of the revenues in these three areas during the 25 years trusteeship of the United States in terms of gross dollars; so that we might see what the realities are in discussing the long view after the new status is acquired whether, indeed, the trust territory is going to have the capability to assume this kind of financial support that you are projecting and anticipating.

I, quite frankly, cannot see it down the road.

Mr. CLAUSEN. Will the gentlelady yield?

Mrs. MINK. I will yield.

Mr. CLAUSEN. First of all I would ask that you do respond to this request from the gentlelady from Hawaii.

I would further ask—with your concurrence, Mrs. Mink—that you provide us with a projection of what we can anticipate in the way of specific economic growth; that would provide us with the yield in the tax revenue area that has been discussed here before.

I think that if we can have the historical information of the past as well as a projection for the future, it would complete the record and help us for future consideration.

Can this be done?

Mr. WILSON. We will do our best to get that for you, Mr. Chairman.

Mr. CLAUSEN. All right.

Mrs. MINK. If I might—

Mr. CLAUSEN. Yes, Mrs. Mink.

Mrs. MINK. I have one further request, and this is of the High Commissioner.

While I am very sympathetic always to the requests of the trust territory for additional dollars, I am also concerned in being able to justify for the record this request for an increase.

And, so, I would like to ask for the record a list for the last 3 years where we have been dealing with budgets in excess of \$50 million, precisely the amount of money that went into payment of the personnel payroll, a list of the projects which have been either started or concluded and fully constructed; and the final contract price for the completion of these physical facilities.

Now I am quite aware of the paucity of physical facilities in the trust territory and the enormous demand for them, but it seems to me that it is a legitimate inquiry of this committee to ask what happened to the \$100 million plus that we have appropriated most generously over the past 3 fiscal years. You come to this committee again and tell us that we have done so little to provide the trust territory with the infrastructure which they had before World War II, this is a shocking statement for you to make to this committee.

The committee, in its realistic appraisal, had assumed that by providing these moneys over the recent few years that some of these needs would have, in fact, been met.

And I am interested to know exactly what this money has purchased in the way of improved standards and living conditions for the people of the trust territory. And specifically I would like to request that a report be made with regard to the sewer facilities for Saipan, since there has been some question raised as to the use of the public funds for the construction of that facility; how much was paid to Amelco, and what the new contract with the Black Construction Co. covers.

I realize it is a long question, but I think it would be most helpful and will certainly anticipate discussions which, I assume, will occur in the full committee concerning the validity of this budgetary increase.

Mr. CLAUSEN. I wonder if I might ask the gentlelady from Hawaii—

since hers was a long question—if it would be acceptable to have you frame a question directly in writing to Mr. Wilson and Mr. Johnston, and then that it would be included at this point in the record.

Mrs. MINK. Thank you, Mr. Chairman.

Mr. CLAUSEN. Without objection, so ordered.

[Letter with questions and answers follows:]

CONGRESS OF THE UNITED STATES,
HOUSE OF REPRESENTATIVES,
Washington, D.C., October 3, 1974.

Hon. JOHN KYL,
Assistant Secretary for Congressional and Public Affairs, Department of the Interior, Washington, D.C.

DEAR MR. KYL: On October 1 during testimony by High Commissioner Edward Johnston before the House Subcommittee on Territorial and Insular Affairs, I asked questions relating to the Trust Territory of the Pacific Islands. I was asked to submit my questions to the Department in writing.

Following are the questions I asked at the Subcommittee hearing. I would appreciate full responses as soon as possible.

1. Please provide the following information regarding Trust Territory appropriations for each of the last 5 years—

How much was spent for personnel?

What projects (infrastructure) were funded? How much for each?

What projects (infrastructure) were completed? What was total cost?

2. Over the 25 year period, the United States has been T.T. trustee. What cash revenues has the T.T. been able to generate so as to achieve self-sufficiency for the entire Trust Territory?

What local revenues have there been in agriculture? For each year.

What local revenues have there been in fishing? For each year.

What local revenues have there been in tourism? For each year.

3. Please provide the Interior Department response to Resolution Number 27-1971 of the Mariana Islands legislature—

What payments were made to Amelco Engineers company for installation of water and sewage lines on Saipan, Mariana Islands, for work that was not performed or completed?

When the contract was let, what work was specified?

What was constructed?

When was the work called for by the contract completed?

What did Black Construction Company construct?

Was this the same work Amelco was supposed to do?

4. An increase of \$15 million in FY 75 appropriations is requested for stepping up construction of public facilities. Of this, what part represents non-fulfillment of previously contracted work or previously budgeted items?

5. Please provide a full report on the situation with respect to the people of Eniwetok Atoll, including but not limited to—

What is the status of the plans for their relocation?

What evidence is there that all those involved are pleased with the plans for their relocation?

Isn't Enjebi their first choice for relocation, but it is so radioactive it won't be safe for another 30 years?

When will Runit be safe for habitation?

What is the radioactivity of Eniwetok?

What funds have been spent thus far to make these islands inhabitable?

What public facilities have been constructed specifically for Eniwetokese?

What additional facilities are needed?

Is the fish and other sea life edible?

Who says it is safe for the natives to return to live there?

6. What is the \$12 million to be used for which is sought in H.R. 15963?

7. What was the cost for Bikini? Is it complete? Are the natives back there?

Very truly yours,

PATSY T. MINK,
Member of Congress.

U.S. DEPARTMENT OF THE INTERIOR,
OFFICE OF THE SECRETARY,
Washington, D.C., November 1, 1974.

Hon. PATSY T. MINK,
House of Representatives,
Washington, D.C.

DEAR MRS. MINK: This is in response to your letter of October 3, 1974, to John Kyl, Assistant Secretary for Congressional and Legislative Affairs, asking questions relating to the Trust Territory of the Pacific Islands.

The following are answers in the order asked.

1. During the past five years operations personnel costs have been as follows:

[Amounts in thousands]

	Fiscal year—				
	1971	1972	1973	1974	1975 ¹
United States.....	\$7,410	\$7,865	\$8,519	\$8,448	\$8,050
Micronesia.....	13,288	15,869	19,617	21,815	24,820
Total.....	20,698	23,734	28,136	30,263	32,870

¹ Estimated.

Between FY 1971 and FY 1975, the amounts appropriated for capital improvement projects have been as follows:

Fiscal year:	Thousands
1971	\$25,323
1972	20,660
1973	16,335
1974	9,480
1975	9,157
Total	80,955

The FY 1975 appropriation has just become available for use so that most of it has not yet been obligated. As of June 30, 1974, only \$3.7 million of the total \$71.8 million appropriated during FY 1971–FY 1974 was left unobligated. Most of the unobligated funds were for contingencies, collateral equipment, and for small projects carried on at the district level.

There have been some major accomplishments during the period.

The Majuro airport is in operation, all major roads in the atoll paved, and a water system completed within a total contract cost of about \$7 million. The renovation of Saipan's Isley Field, a project in excess of \$5 million, including FAA participation, is on schedule and will be completed next year. A newly designed interisland ship is in operation at a total cost of \$1.1 million, within the appropriated amount. A contract has been let for the \$5.0 million bridge connecting the large island of Babelthaup with the district center in Koror. A new dock has been completed in Ponape for \$1 million. A new dock at Kusaie is expected to be finished by next year. Telephone systems have been upgraded in every district as has the primary communications network connecting the islands with the outside world. In all, well over a million dollars worth of completed work.

About \$15 million has been appropriated for water and sewer projects in all districts. Sewage treatment plants are in operation on Saipan and are under construction in all other districts and will be completed within a year. Work on water collection and distribution systems is underway in five districts, again with expected completion of all phases now under contract within a year.

Over \$6 million has been appropriated for additional generating capacity and distribution systems to provide power in all district centers. Most of this work has already been completed.

About 60% of the total capital improvements funds for FY 1971-FY 1974 were appropriated for the very infrastructure needs in the areas of transportation, communications, and utilities. These facilities are essential so that economic development may proceed. An additional \$1 million was used for irrigation systems, fishing boats, mariculture projects, etc. However, other basic needs were not neglected during the period. Over \$12 million was appropriated for educational facilities through Micronesia. New dormitories and classrooms have been constructed to allow secondary enrollment to increase to about 6,000 students. A new high school is under construction on Jaluit Atoll. A post-secondary vocational education facility has been completed in Palau. The Truk district now operates five satellite junior high schools and a senior high school, with most facilities funded and completed during the period. Hundreds of new elementary classrooms have been erected to accommodate a total enrollment of about 28,000.

Nor have health care facilities been neglected, with over \$6 million appropriated. A new pediatrics ward has been completed at Palau. A contract for a new district hospital at Ponape has been let using FY 1974 supplemental funds and is expected to be completed by mid-FY 1976. A sub-district hospital has been completed on Ebeye and new dispensaries have been built in all districts to provide health care to those residents who do not have easy access to the district hospital.

Enclosed as Attachment A, find "Summary Table of Appropriations and Obligations for Capital Improvement Projects in the Trust Territory of the Pacific Islands, FY 1970-FY 1974."

Enclosed as Attachment B, find a narrative and tables "Proposed Capital Improvements Program, FY 1975-FY 1980."

2. Except for the production of copra, most of the farming and fishing activity in Micronesia is subsistence to meet home and family needs. Agriculture on a commercial scale, with products sold for cash in local markets or exported, is a quite recent development. Commercial fishing and mariculture, again with production sold for cash, is also on a quite limited scale. Data on the subsistence sector is quite limited but it has been possible to cull some estimates of production and dollar volume of sales from prior year U.N. reports as shown below:

COPRA

	Short tons	Export value
1955	12,372	\$1,334,414
1956	12,287	1,258,909
1957	13,588	1,487,847
1958	13,259	1,423,252
1959	9,345	967,771
1960	10,717	1,587,767
1961	13,949	1,775,866
1962	11,710	1,661,732
1963	12,817	1,922,450
1964	13,828	2,295,448
1965	13,718	2,525,117
1966	13,804	2,512,383
1967	12,438	1,685,273
1968	12,880	2,514,741

Agricultural Production—(excluding copra)

	Thousands of pounds
1963 and earlier	Not available
1964	15,037
1965	16,588
1966	17,000 (est)
1967	35,887
1968	29,383

FISHERIES

	Thousands of pounds	Value (estimated)
Catch:		
1955	170	\$12,708
1956	360	46,688
1957	593	43,107
1958	660	195,548
1959	967	216,192
1960	1,223	214,985
1961	854	167,952
1962	1,255	147,250
1963	935	151,195
1964	973	132,497
1965	916	110,000
1966	1,424	278,739
1967	1,179	467,245
1968	1,127	697,435

¹ Includes catch of Van Camp Seafood Co.

In more recent years, sales of fishing and farm products have played a much greater role in the economy. Several districts now produce enough eggs to totally meet local demand. The Marianas District exports vegetables to Guam and several districts export citrus fruit, bananas, papayas, and other tropical fruits to Guam. Fresh fish is now available for sale in district center markets and some is being exported. The tables which follow show recent trends in the development of the economy:

Fisheries

1969	\$394,842
1970	1,257,714
1971	251,754
1972	254,793
1973	638,443
1974	2,964,348

Tourism—dollar volume

1969	650,000
1970	1,356,100
1971	2,400,000
1972	2,700,000
1973	3,533,625
1974	4,562,625

Agricultural production—(excluding copra)

	Thousands of pounds
1969	20,712
1970	22,246
1971	19,821
1972	22,316
1973	N/A*

*Total production figures not available but marketed crops amounted to 3,332,000 pounds. A total of 173,626 dozen eggs were also sold during fiscal year 1973.

COPRA PRODUCTION AND VALUE

	Thousands of pounds	Dollars
1969	27,019	\$2,199,422
1970	35,047	2,683,198
1971	18,454	1,648,260
1972	21,479	1,317,542
1973	16,927	946,765
1974	24,852	4,404,095

It can be seen from the tables that dollar amounts of economic activity can vary greatly from year to year. The value of fisheries production varies with the size of the catch due to the cyclical nature of tuna fishing. The amount of copra production and the value of exports vary with world market prices which change rapidly. The dollar volume of the tourism industry has been growing rapidly in absolute terms and even faster on a percentage basis, e.g., the change between 1972 and 1973 was over 30% and between 1973 and 1974, about 29%.

Projection of trends in economic activity are very difficult under these conditions. The Trust Territory may soon contract for the services of a team of development economists to help quantify achievable economic goals. It will continue to press forward with plans to put the basic infrastructure in place by the end of the Trusteeship Agreement. Paved roads will be laid down in all district centers. Power generation and distribution capabilities will be increased. Water and sewer systems will be developed on a scale adequate for private and commercial use. Docks, harbors, and airports will be upgraded to facilitate the flow of tourists and of commerce. These kinds of facilities are necessary for any economic development to occur.

Many direct measures will be undertaken to stimulate growth of the private sector of the economy. In FY 1976, for example, about \$1.4 million is being requested to purchase nine modern, steel-hulled tuna boats for resale to selected Micronesian entrepreneurs. Each vessel has a potential net income of over \$100,000 annually. The Mariculture Demonstration Center in Palau will be expanded to improve production techniques for crab, shrimp, fish and oysters. The Center will be able to sustain village mariculture production units whose annual sales of fish and shrimp could exceed \$1,000,000 per year. Marine resources complexes are planned for Ponape and Truk Districts to expand both inshore and offshore fishing capabilities. About \$600,000 is being requested in FY 1976 for these facilities. Refrigeration plants are planned for all districts to increase the capability to store fish and agriculture products. Farm roads will be expanded as will irrigation systems to increase agricultural production. A new fleet of interisland ships will provide more frequent and reliable service to outer islands and thus encourage year-round copra production. And the Trust Territory will seek authorization to continue the Economic Development Loan Fund program to supply seed capital for local businessmen.

With the development of the infrastructure, the implementation of the measures touched on above, and the relaxation of restrictions on foreign capital, the stage will have been set for greatly accelerated economic growth.

The growth of the economic base will ensure that locally generated revenues will grow. The following table shows the total amount of municipal/district, and Congress of Micronesia revenues that have been collected for the past twenty years.

These revenues have been used to support the administrative costs of the various legislative bodies. At the district/municipal level, the funds have also been used for such activities as municipal police, garbage collection, scholarships, etc. The Congress of Micronesia funds all of its operating expenses and also supports a large scholarship program; makes grant-in-aid funds available to the districts; and funds a sizeable construction program and developmental loan fund programs which complement the U.S. Government grant funds.

[Dollars in thousands]

	Municipal/ District	Congress of Micronesia	Total
1955	178		178
1956	304		304
1957	344		344
1958	396		396
1959	465		465
1960	533		533
1961	592		592
1962	755		755
1963	799		799
1964	980		980
1965	891		891
1966	970	446	1,416
1967	935	705	1,640
1968	1,065	997	2,062
1969	1,455	891	2,346
1970	1,827	1,042	2,869
1971	2,516	1,195	3,711
1972	2,698	3,733	6,391
1973	2,416	4,766	7,182
1974	NA	5,177	NA

The local revenues have been growing quite rapidly in recent years.

But they must grow much more rapidly in the future in order to meet the increasing demands which will be placed on them. Representative Clausen, during the October 1 authorization hearings also brought up the question of accelerating economic growth to increase tax revenues. More specifically he asked for a justification of the premise that a new government in Micronesia, less the Northern Marianas, will require decreasing subsidies from the U.S. for the costs of operating the new government.

NEED FOR DECREASING SUBSIDIES

The draft Compact with the JCFS projects a U.S. financial commitment of \$35 million annually in support of the operations of the new government of Micronesia during the first five years of the Compact, 1980 or '81-'85/'86. This amount would then drop to \$30 million during the next five years and to \$25 million during the remaining five years of the initial fifteen year period of the Compact. (The above to be calculated in constant dollars.) In addition, the U.S. proposes to continue three Federal programs without compensation, the postal, weather and FAA services plus \$12.5-9.5 million annually for capital improvements and up to \$5 million annually in loans for specified development projects in the five districts.

These amounts for operations are predicted on several key objectives and expectations.

(1) To reduce the cost of government to a level more commensurate with the availability of local resources;

(2) That tax revenues from the five districts will continue to grow at an annual rate of at least 10%, hopefully significantly more once planned increased investments in capital projects begin to bear fruit;

(3) That the new government of Micronesia will be streamlined and less dependent on expensive foreign experts—expatriates—as is now the case; and

(4) That the new government will adopt fiscal policies which will encourage larger and more productive investments in the private sector thus increasing the tax base significantly.

The leaders of the JCFS appeared to accept the above approach and the levels of assistance projected during the informal discussions last spring and summer in Carmel and Guam.

Current revenues available to the central government from the six districts exceed \$5 million per annum. Hence projecting a 10% annual increase in revenues in current dollars they should reach about \$10 million by FY '81 for six districts or \$8 million for five.

Also between now and 1980, we believe that modest reductions in the level of operating costs can be achieved so that the U.S. support for operations can fall from \$55 million in FY 1976 to \$45 million in 1980—again in constant dollars for all six districts. If the Marianas gain separate status during this period there would be a proportionate reduction in these figures by about 10% to \$39 million in constant FY 1975 dollars for operations support for the five districts in FY 1980.

During FY 1981, the first year of the new government, U.S. support for operations would be \$35 million so that only \$4 million of local revenues would be needed to operate the five-districts at the \$39 million level prevailing during the last year of the Trusteeship. If the inflation rate is no more than 10% annually through 1981, local revenues should be adequate to take up the slack between U.S. support and the total cost of operating the government at the 1980 level.

There are several complicating factors. Should inflation continue at rates recently experienced, the constant dollar value of local revenues may not be adequate to take up the slack. And, if the transition government and later the new government of Micronesia are unable to achieve the reductions in government operations at the rate planned for, the shortfall may be somewhat greater.

Because of these problems and uncertainties, the Micronesians are taking active steps to chart their own developmental course. They are currently searching for a team of reputable and highly qualified economic development planners. The team will suggest ways of structuring the new government; lay out realistic development strategies; and explore alternative tax postures, all with the aim of accelerating economic development and the growth of local revenues. The team's efforts should aid the Micronesian government to make those tough fiscal decisions which will be necessary.

Between now and the end of the Trusteeship we plan to continue to resist any real increases in government operating expenses, as indicated during the testimony before the Committee, and to assist the Micronesians in their efforts to plan and organize a more efficient and less costly governmental structure.

AMELCO CONTRACT

3. The first phase of the Saipan water and sewer system construction was funded by an FY 1968 (Typhoon Jean) second supplemental request. Two contracts were awarded to Amelco Engineering Company during 1969 to install water and sewer lines on Saipan. Contract No. 509 consisted of installing trunk sewer lines along the beach road and in the villages of San Antonio, Chalan Kanoa, Oleai, and Garapan and all sewer lift stations and connections required. Water lines were to be installed from Maui IV well along West Coast Highway, Wallace Road, Isley Field Road and Texas Road; waterloops for the civic center and the villages of Chalan Kanoa and San Antonio; reservoirs at Tanapag, the hospital, and San Vicente; water treatment plans at Maui IV and at Isley Field; plus booster pumps, chlorinators, and electrical connections as needed. Notice to proceed was given on June 23, 1969 with construction to be completed within 575 days or January 18, 1971. An extension of 312 days was granted to move the completion date to November 23, 1971.

Contract No. 534 provided for sewer lines from the hospital to Oleai Village; sewer lines from Garapan and Tanapag harbor areas; the Tanapag harbor outfall line; and necessary lift stations. Water work included an extension of a line; and necessary lift stations. Water work included an extension of a line from the West Coast Highway to Achugan Spring and the construction of an intake box and chlorinator house at the Spring. Notice to proceed was given on August 12, 1969 with a completion date of February 8, 1970. An extension of 656 days brought the completion date to November 23, 1971.

All phases of the contracts were completed during 1971. Amelco had submitted claims totalling \$587,000 above the contract amounts, based primarily on having experienced alleged excusable delays. Negotiations were completed by November 20, 1971 with Amelco accepting a \$200,000 final settlement. The final dollar amounts of the contracts were \$2,613,394 for Contract No. 509 and \$601,149 for Contract No. 534, for a total of \$3,214,543.

Final A&E costs were \$290,927 and final costs of inspection, contract administration, and other construction overhead were \$298,252 for a total project cost of \$3,803,722, well within the \$3,971,500 appropriated in FY 1968 supplemental.

Continuation of the water system work was authorized by the regular FY 1973 appropriation.

The scope of work for the Black Micro Corporation contract, TT-173-129 was quite different from the Amelco Contracts discussed above. The Black Micro Contract called for improved distribution including hydrants, valves, service connections, meters, and appurtenances for the villages of Chalan Kanoa, San Antonio, Susupe, and Oleai. The work also involved construction of an eight inch transmission line from Maui IV treatment plant to Ashmetog reservoir on Saipan. Construction began July 2, 1973 and is over 98% complete with an estimated completion date of October 31, 1974.

It should be noted, however, that a small contract was let to Black Micro in April 1973, to extend sewerage laterals to property lines along streets to be paved in Chalan Kanoa, Susupe, and Oleai villages. The original contract was for \$10,900, funded out of the Saipan Trust Fund. It was necessary to issue change orders to increase the contract to \$24,687 when it was found that Amelco had failed to install necessary elbows for attaching the laterals. A forty-day extension was granted with final project completion on September 9, 1973. This is the only instance where the Black Micro and the Amelco contracts overlapped.

4. A supplemental request for FY 1975 is now under consideration for submittal should the ceiling authorization increase be approved. No funds will be requested in the supplemental to finish previously contracted work which was not fulfilled. There will likely be included an amount of \$1,484,000 to supplement construction funds for a new district hospital on Yap. The regular FY 1975 appropriation, already approved, contains \$2,245,000 for the hospital but the A&E firm of Mackinlay, Winnaker, and McNeil has advised the Administration that these funds will not be sufficient due to the rapidly rising costs of building mate-

rials and ocean transportation rates that have occurred since the budget was prepared. Hence the supplemental request. The construction of the hospital has not yet been let out for contract.

5. (a.) The people of Enewetak have a strong desire to return to their atoll and have actively participated in the preparation of a Master Plan for the rehabilitation and resettlement of Enewetak Atoll. They recognize and believe in the significant role they played in the United States' efforts to maintain a balance of nuclear power. Now that their islands are no longer needed, they want to fulfill their desire to return and are relying on your support to accomplish it.

Enewetak came under foreign domination late in the nineteenth century when the Germans established a protectorate over the Marshall Islands. In 1914 the Japanese seized Enewetak along with other German Micronesian possessions. They, like the Germans, exploited the copra trade in the islands. The Japanese Mandate lasted until the area was taken by United States forces in World War II. Enewetak was captured in February 1944. When Enewetak was selected as a nuclear weapons test site in 1947, the Enewetak people were relocated 124 miles southwest to Ujelang Atoll where they remain at the present time. This atoll has 24 percent of the land area and less than 7 percent of the lagoon area that Enewetak contains. The original population of 136 has tripled and the people are aware that the natural resources are more abundant on Enewetak than on Ujelang.

Actions taken by the U.S. Government agencies to prepare for the return of the Enewetak people to their atoll include an engineering survey by the Defense Nuclear Agency whose recommendations for cleanup are contained in a three volume Engineering Study for a Cleanup Plan. Radiological conditions were surveyed by the Atomic Energy Commission and the results published in the three volume Enewetak Radiological Survey of October 1973. The AEC published its recommendations based on the survey in a Task Group Report in June 1974.

The Trust Territory of the Pacific Islands prepared a three volume, Master Plan for the Rehabilitation and Resettlement of Enewetak Atoll in 1973. The Enewetak people selected a planning council who worked with the TTPI planners to ensure that the desires of the people were incorporated into the Master Plan. The wishes of the people have been detailed in the Master Plan regarding land use, the design and construction of houses, the formation of community centers, the agricultural program and the potentials for economic development of the atoll.

In addition to these documents, a three volume Draft Environmental Impact Statement was published by DNA in September 1974. This document assessed the impacts of the proposed cleanup, rehabilitation and resettlement programs on the environment as well as on the people of Enewetak.

(b.) Indeed, Enjibe Island was the habitation choice of the dri-Enjibe, one of the two political and traditional subdivisions of the total population. This, of course, was a choice, subject to radiological safety considerations. It was the Atomic Energy Commission's recommendation that Enjibe not be used for habitation (although short visits are safe) until radiation levels are reduced to the accepted guidelines. It is uncertain at this time just how long this will take through normal half-life evolution and by environmental considerations such as washing away by rain, etc. It may be as long as 30 years but probably will be somewhat less.

(c.) Regarding the island of Runit, it cannot be determined if or when it will be habitable until radiological cleanup has taken place. Basic research and development projects are directed towards solution of plutonium contamination problems.

(d.) To answer your questions on the radiation level of Enewetak, we must refer you to the AEC and, particularly, to the exhaustive report *Enewetak Radiological Survey*, NVO-140, October 1973.

(e.) No funds have been specifically earmarked and spent to render the atoll habitable. The Office of Management and Budget has instructed the Department of Defense to seek funds for and subsequently clean up the atoll, while the Department of the Interior has been given the responsibility of rehabilitation and resettlement. The Department of Defense has to date, been unsuccessful in its efforts to secure Congressional funding approval for cleanup through the military construction program.

(f.) There have not been public facilities constructed on Enewetak "specifically for Enewetakese." This of course will not happen until funding for cleanup, rehabilitation and resettlement becomes available. The detailed Master Plan prepared by Holmes and Narver, Inc., with full input by the people of Enewetak specifies exactly what facilities are needed.

(g.) There are no radiological reasons not to eat fish and other sea life.

(h.) The AEC recommended the habitation patterns based on the above referred to survey. This was incorporated into the draft E.I.S. of which you have been furnished a copy.

6. The \$12 million sought in H.R. 15963 will be used in accordance with the Master Plan and detailed in the enclosed "Briefing Document for Enewetak Master Plan," September 1974.

7. About 50 former residents have returned from Kili Atoll to their home island of Bikini. They are engaged in construction of the housing units and in coconut grove maintenance.

The normal maturation process for coconut trees is about five to seven years. The groves are now beginning to bear fruit but it will be several years before full production is achieved for food and for the production of copra.

Forty core houses plus accompanying outbuildings have been constructed at the atoll. Twenty-eight additional units have been funded through FY 1975 and construction will begin shortly. An elementary school and a communications building have also been built.

Funding to date has been as follows:

Fiscal year:	
1970	\$1, 500, 000
1971	
1972	125, 000
1973	485, 000
1974	330, 000
1975	667, 000
	<hr/> 3, 107, 000

Additional funding of about \$700,000 will be sought to complete the project. Funding for ten more housing units plus a dispensary, church, municipal buildings and other public facilities will be sought in future year appropriations.

We trust that the above provides you with comprehensive answers and we stand ready to furnish any additional information you require.

Sincerely yours,

STANLEY S. CARPENTER,
Director of Territorial Affairs.

Enclosures.

ATTACHMENT A

The tables which follow show a history of appropriations and obligations by program area for the five-year period, FY 1970-FY 1974. Several large projects such as the airfields on Saipan and Majuro, the hospital on Ponape, the new interisland ship, and the bridge at Palau are identifiable within the program categories.

The tables were prepared from several sources but primarily from a quarterly report submitted to the Department of the Interior and then to the Appropriations Committees entitled, "Capital Improvements Program, Status of Work-in-Progress and Schedule of Budgeted Requests." Several comments on the reports and on the tables shown here created from them, are required for clarity:

1. Many entries are shown as "see FY 72" or "see FY 74." This is required for projects which have been funded in several increments over a period of years, e.g., successive funding of a high school in Truk where a dormitory is funded one year, classrooms the next, and a cafeteria in still a later year. The entry is also required when a project such as the Palau bridge was funded in increments due to fiscal restraints, even though a contract could not be let until the full funding had accumulated. And finally, the entry is required in cases where a project was funded in one year but the funds not obligated until a year or two later.

2. The total amounts shown as obligated each year match those reported in the annual budget but there are some internal differences within program areas which are discussed below.

3. A separate line item appears on the Summary Table entitled, "Miscellaneous." This is a balancing entry required to make the obligations by program area match the total reported obligations each year. There are several factors which make this adjustment necessary:

a. There is a revolving account within the CIP program entitled "A&E Revolving Fund." This account allows design and engineering to be completed before a construction project is funded and thus speeds up the construction program. The A&E Fund is used to finance design of a project under consideration but then the fund is reimbursed by the amount of the design costs when appropriations for construction of the project are available. Therefore, obligations against the A&E Revolving Fund have and will continue to exceed the amount budgeted in the past as the same dollars could be used several times during a year and obligated and deobligated many times over the five-year span. A total of \$880,000 has been budgeted for the fund but it has turned over several times so that total obligations to date are in millions of dollars of design work.

b. Two overhead divisions within the Headquarters Public Works Department are not budgeted in the regular funds. Operating funds for these divisions are accrued as assessments against construction projects. The costs of inspection services for say, a six-month construction job are accrued this way so that an inspector can be hired under a six-month contract rather than the normal two-year contract for a full-time government employee. This holds down overhead costs as inspectors, surveyors, etc., can be hired just for the timeframe required. This is quite the usual method of financing overhead costs but it does distort the obligations picture somewhat because typically, between \$500,000 to \$1,000,000 has been obligated to cover costs for which no line item has ever appeared in a budget, hence the need for the balancing entry.

4. There are many instances where appropriations and obligations do not equate in a year or over the entire timeframe. This is due primarily to unobligated balances being carried forward from a prior year. During 1974, for example, almost \$19 million was obligated but only \$9.5 million appropriated for that year. This was possible because almost \$13 million of unobligated funds were carried into FY 1974 from FY 1973 and prior year appropriations. There are also instances where reprogrammings have occurred which would change the unobligated amounts but not necessarily the appropriations.

ATTACHMENT A.—TABLE OF APPROPRIATIONS AND OBLIGATIONS FOR CAPITAL IMPROVEMENT PROJECTS IN THE TRUST TERRITORY OF THE PACIFIC ISLANDS, FISCAL YEAR 1970-74

	1970		1971		1972		1973		1974		
	Appropriated	Obligated	Comple- tion date	Appropriated	Obligated	Comple- tion date	Appropriated	Obligated	Comple- tion date	Appropriated	Obligated
Education:											
Elementary:											
Marianas.....	\$537	\$543	7/74	\$60	\$84	12/72	\$66	(¹)	12/73	\$67	12/74
Marshall.....	138	138	7/71	180	(¹)		330	2 1/37	6/74	136	319
Palau.....	169	169	7/71	330	(¹)		110	4 1/32	2/74	50	6/74
Ponape.....	209	234	12/72	390	345	9/72	231	4 288	10/74	256	11/74
Truk.....				160	(¹)		286	1 168	9/72		
Yap.....							22	8 147	8/74	22	8/74
Miscellaneous.....							35				
Total.....	1,053	1,084		1,400	379		1,100	872		160	816
Secondary:											
Marianas.....	302	258	9/72	115	506	8/74					
Marshall.....	500	400	1/72	1,000	8 100		600	500	1/75	100	816
Palau.....	944	995	2/72	286	285	2/72				100	816
Ponape.....	300	280	8/71	503	1 250		900	1 320	9/72	250	212
Truk.....	500	692	10/74	585	4 232		990	1 612	6/74	653	816
Yap.....	407	372	9/74	400	1 20	9/74	100	20	6/73	307	270
Miscellaneous.....											
Total.....	2,953	2,997		2,889	1,393		2,500	1,452		2,813	3,211
Public affairs:											
Legal affairs.....	213	214	7/71	156	79	12/72	79	1 29	12/72		81
Judiciary.....	200	212	12/73	150	8 117	12/74				25	6/74
	120	212		519	8 480	7/72		20	6/73	389	12/74
Maintenance and rehabilitation:											
Heavy construction equipment.....	300	320	6/71	350	338	6/72	600	623	6/73	192	474
Emergency and minor construction.....	200	200	6/71	200	200	6/72	200	200	6/73	200	6/74
Total.....	500	520		550	538		800	823		392	422
General support:											
A. & E. planning.....	1401	1879	1/71	1028	8 277	1/72		633	9/72		(¹)
	400		(¹)	480	(¹)	(¹)				(¹)	(¹)
Hospitals and dispensaries:											
Marianas.....	25			0	167	(¹)		31			
Palau.....											
Yap.....											
Truk.....	200	200	2/72	185	(¹)		10	20	12/73	168	12/73
Ponape.....	300	327	6/74	50	341	4/73		15	6/74	79	144
Marshall.....	200	188	4/73	50	341	4/73		650		4,500	5,466
Miscellaneous.....	100	294	6/72	245	(¹)		100	(¹)	6/73	188	6/75
Total.....	600	1,034		647	341		100	76		690	256
										4,650	5,798

Transportation and communications:

Roads:

Marianas.....	50	48	6/72	1,110	50	(1)	38	6/74	177	6/75
Palau.....	165	145	7/71	450	250	(1)	\$211	6/74	238	12/74
Yap.....	100	94	12/71	200	250	(1)	\$11	6/74	123	1/75
Truk.....	132	128	2/71	186	6/72	(1)	469	7/75	50	7/75
Ponape.....	200	200	6/72	300	375	235	12/72	440		
Marshall Islands.....										
Miscellaneous.....	246	238	5/70	48	760	(1)	\$388		1,700	4,336
Palau Bridge.....										6/76

Total.....	893	853		1,150	444	1,610	235	2,940	1,117	1,700
Airfields:										5,524
Marianas.....	60	60	6/71			400	(1)	1,682	\$1,193	3/75
Palau.....						90	113	185	361	6/74
Yap.....						600	(1)	200	619	12/73
Truk.....								187	(1)	47
Ponape.....										8/74
Marshall Islands.....										387
Miscellaneous.....	3,043	\$2,908	3/74	1,550	1,635	3,272	2,633	3/74	125	15
Total.....	3,103	2,968		1,550	1,635	4,362	2,847		2,379	2,188

Telephone and communications:

Marianas.....						60	50	12/73		
Palau.....						350	\$242	6/73		80
Yap.....						50	\$19	12/73		13
Truk.....	75	87	7/70							
Ponape.....	75	75	9/71	15	22	6/72				
Marshall Islands.....	75	48	9/71	10	61	6/72				
Miscellaneous.....	150	283	6/71	700	510	6/71		200	196	6/73
Total.....	375	493		725	593		311		200	216

Interisland ships:										93
Port facilities:										
Ponape.....						460	311		200	216
Marianas.....						638	(1)		650	1,341
Truk.....										
Marshall Islands.....						500	800	7/73	400	390
Yap.....						67	60	9/72		
Miscellaneous.....	150	144	6/71	100	80	6/72	(1)		100	\$13
Kusate.....									\$29	
Total.....	150	144		400	182	1,467	860		500	1,037

Resources and development:

Marianas.....						275	283	6/73	30	49
Ponape.....						75	(1)		300	2100
Marshall Islands.....						175	(1)		150	160
Miscellaneous.....	200	214	6/71	165	23	6/72	250	250	6/72	
Total.....	200	214		690	306		580	559		116

See footnote at end of table.

ALL INFORMATION CONTAINED HEREIN IS UNCLASSIFIED EXCEPT WHERE SHOWN OTHERWISE

ATTACHMENT A.—TABLE OF APPROPRIATIONS AND OBLIGATIONS FOR CAPITAL IMPROVEMENT PROJECTS IN THE TRUST TERRITORY OF THE PACIFIC ISLANDS, FISCAL YEAR 1970-74—Continued

[Dollars in thousands]

	1970			1971			1972			1973			1974		
	Appropriated	Obligated	Completion date	Appropriated	Obligated	Completion date	Appropriated	Obligated	Completion date	Appropriated	Obligated	Completion date	Appropriated	Obligated	Completion date
Community development:															
Bikini rehabilitation.....	\$1,500	¹ \$1,169	3/72		\$114	5/74		\$125		\$485	³ \$156	12/74	330	\$716	12/74
Civic action teams.....	500	500	6/70	\$720	705	6/71	700			791	791	6/73	720	720	6/74
Typhoon Jean overrun.....	360	248	6/70												
Typhoon Sally.....	199	199	1/71												
Total.....	2,259	2,116		720	819		825	827		1,276	947		1,050	1,436	
Water, sewer, and power:															
Water:															
TT-wide (various).....	178	231	6/71												
Marianas.....	275	183	12/70							1,200	523	1/74			
Palau.....	2,426	² 1,970	10/74												
Yap.....				1,920	15,667	10/74									
Truk.....	387	310	4/71	3,768	3,200	6/74									
Ponape.....				2,700	2,335	10/74				1,250	1,269	1/75			
Total.....	3,266	2,694		8,388	7,402		3,789	4,055		2,450	2,392			50	1/75
Sewer:															
Marianas.....	750	700	6/72	650	620	2/73	250								
Marshall.....				350	291	6/74				157	80	6/74			
Total.....	750	700		1,000	911		250			157	80				
Power:															
Marianas.....	650	⁴ 705	6/71	550	⁵ 560	2/73	700			100	⁶ 214	6/73		107	4/74
Palau.....	400	362	6/71	300	² 240	2/73	400	424	1/73	387	⁶ 520	7/74	300	444	12/74
Yap.....					451	6/74	200			285	187	12/74			
Truk.....	125	218	6/72	280	171	12/74	200	161	6/74	324	451	11/74		164	10/74
Ponape.....	470	492	6/72	325	³ 321	10/72	200	578	10/74	324	244	6/74		223	12/74
Marshall.....	130	200	6/72	350	290	8/74	300			65					
TT-wide.....	335	170	6/72	425	300	1/73	100	100	6/73						
Total.....	2,110	2,148		2,530	2,333		2,100	2,138		1,491	1,616		300	1,048	
Miscellaneous.....	950				264			123			232			267	
Grand total.....	20,846	21,432		25,022	18,619		20,660	15,680		16,301	15,919		9,480	19,101	

¹ See 1973.² See 1973 and 1974.³ See 1972.⁴ See 1972 and 1973.⁵ See 1974.⁶ See attached notes.⁷ See 1971.⁸ See 1971 and 1972.

ATTACHMENT A.—SUMMARY TABLE OF APPROPRIATIONS AND OBLIGATIONS FOR CAPITAL IMPROVEMENT PROJECTS IN THE TRUST TERRITORY OF THE PACIFIC ISLANDS, FISCAL YEAR 1970-74
 [Dollars in thousands]

	1970		1971		1972		1973		1974	
	Appropriated	Obligated	Appropriated	Obligated	Appropriated	Obligated	Appropriated	Obligated	Appropriated	Obligated
Education:										
Elementary	\$1,053	\$1,084	\$1,400	\$379	\$1,100	\$872	\$263	\$253	\$160	\$816
Secondary	2,953	2,997	2,889	1,393	2,500	1,452	2,813	3,211	1,120	2,681
Total	4,006	4,081	4,289	1,772	3,600	2,324	3,110	3,464	1,280	3,497
Public affairs	213	214	156	79	79	29	---	81	---	---
Hospitals and dispensaries	600	1,034	647	341	100	76	690	256	4,650	5,798
Legal affairs	200	212	150	117	---	---	---	25	---	---
Judiciary	120	212	519	480	---	20	---	389	---	---
Transportation and communications:										
Roads	893	853	1,150	444	1,610	235	2,940	1,117	1,700	5,524
Airfields	3,103	2,968	1,550	1,635	4,362	2,847	2,379	2,188	500	1,126
Telephone and communications	375	493	1,725	593	460	311	200	216	---	93
Interisland ships	---	---	50	126	638	---	650	1,341	---	---
Port facilities	150	144	400	182	1,467	860	500	1,037	---	119
Total	4,521	4,458	3,875	2,980	8,537	4,253	6,669	6,288	2,200	6,862
Maintenance and rehabilitation.										
A and E planning	500	520	550	538	800	823	392	422	---	---
Resources and development	400	480	---	---	---	---	100	---	---	---
General support	200	214	690	366	580	559	---	116	---	143
Community development	1,401	1,879	1,028	277	---	633	---	---	---	---
Water	2,559	2,116	819	819	825	827	1,276	947	1,050	1,436
Sewer	3,266	2,666	8,388	7,402	3,789	4,055	2,450	2,392	---	50
Power	750	700	1,000	911	250	157	---	80	---	---
Total	2,110	2,148	2,530	2,333	2,100	2,138	1,491	1,616	300	1,048
Total	6,126	5,542	55,918	10,359	6,139	6,203	4,098	4,088	300	1,098
Miscellaneous										
Total	---	950	---	264	---	123	---	232	---	267
Grand total	20,846	21,432	25,022	18,619	20,660	15,680	16,301	15,919	9,480	19,101

Note: Unobligated balance on June 30, 1969, \$3,348; 1970, \$12,244; 1971, \$8,214; 1972, \$12,930; 1973, \$12,982; 1974, \$3,476.

ATTACHMENT B

The thrust of the plan outlined below is to put into place the basic infrastructure that Micronesia will need for sustained economic growth. This should be achieved before the end of the Trusteeship in keeping with the commitments made by the U.S. in the Trusteeship Agreement.

This is a particularly expensive undertaking given the logistics involved. The population is scattered over an area of the Pacific as large as the landmass of the United States. For all Micronesians to be able to share in the benefits of economic development, each of the district centers must be provided with a threshold level of economic viability. This requires not one, but seven airports, seven water systems, seven power plants among other things. Had the United States undertaken this effort many years back, the costs would have been considerably less.

Considerable progress has already been made within available funds. All districts have a jet airfield but except for Majuro which is paved, they are expensive to maintain, and too short for safe all-weather operation. There are docks in all district centers, including a new one in Ponape. There are road systems in all districts but only those on Saipan and Majuro are paved. Water and sewer systems are under construction in all districts. Almost all residents who live close to the district center now enjoy the benefits of electricity. Truk has a new hospital and a contract has been let for construction of a hospital in Ponape. Hundreds of elementary and secondary classrooms have been built as have dormitories and cafeterias and laboratories for the high schools. A new interisland ship has just been delivered. Dispensaries, courthouses, radio stations, and irrigation systems have been built.

These are improvements for which the United States can be justifiably proud. But there is still a great deal to be done before the islands reach a stage of relative economic viability. The plan will seek to put the following facilities into place by 1980:

A paved and lighted airport of sufficient length for safe jet operation in all districts including the new District of Kusaie;

An all weather road system in all districts with paved roads in all district centers;

A new dock and harbor complex in each district;

A fleet of modern interisland ships;

Power generation and distribution system adequate to meet government, private and commercial demand for electricity;

Water systems to provide safe, clean water to residents and businesses in all district centers;

Waste water treatment systems on all district center islands;

A new or renovated hospital in every district;

A greatly upgraded primary communications network;

Equipment and storage and processing facilities for commercial exploration of fisheries and agricultural resources;

Major improvements in elementary education facilities in all districts;

A secondary school system in each district which will allow a place in high school for all eighth grade graduates who wish to continue their education;

A dispensary at every major population center outside the district centers;

More efficient working space and equipment to improve the productivity of the government workers;

Minimal utility systems for outer islands to provide clean drinking water, electricity for schools and dispensaries and safe sewage disposal.

It can be seen that the above list includes only the most basic capital needs. There are no planned expenditures for parks or recreation facilities or for a host of amenities which are taken for granted in the United States.

Among the major categories of projects, Transportation and Communications facilities comprise about 41% of total CIP dollars programmed through 1980. This emphasizes the high priority which must be placed on such facilities in Micronesia where population centers are separated by vast stretches of water or rough terrain.

Replacement of the interisland fleet is of very high priority. The economic mainstay of the outer islands, copra production, is totally dependent on regular visits of these ships. Indeed, in times of medical emergencies, drought or food shortages, the very lives of the outer islanders depend on the reliability and speed of the ships. The current ships (many of which are 1945 vintage) cannot provide dependable service. \$5.4 million for three ships has been programmed for FY 1975 and \$3.6 million for two ships for FY 1977.

Prior funding has provided for safe modern airports on Saipan and Majuro. Interim improvements have allowed jet service to be extended to all other district centers but the strips are short, inadequately paved, and have no lighting or navigational aids for operation at night or in inclement weather.

Funding is included for a new airport on Kusaie (1976) plus upgrading existing airfields at Truk (1976), Ponape (1977), Palau (1978) and Yap (1978). With the help of ADAP funding, these airfields will be brought up to minimum FAA standards for safe jet operation.

New harbors and dock facilities are planned for Majuro (FY 1976 and 1977), Kusaie (1977), Truk (1977), Yap (1977), Palau (1978), the Marianas (1978), along with significant improvements to the smaller docks in the Truk lagoon and in Ulithi in 1979. The impact will be most dramatic in Yap when the current practice of lightering cargoes can be abandoned once the new dock is in place.

Roads will be paved in district centers on Ponape, Truk, Yap, Palau, and Kusaie. Typically, a district's road building and paving program extends over several years during the plan. This will greatly reduce the continuous maintenance required because of the torrential rains. The Palau road program is quite ambitious since its main purpose is to open up now inaccessible areas on Babelthupap, Micronesia's largest island, to encourage economic development.

Utility system improvements are the next largest category with \$32 million or about 22% of total construction funds programmed. Water sources and water distribution systems will be expanded in all district centers as well as on some of the major islands of the Truk lagoon. Sewerage systems will also be installed on the lagoon islands in Truk to allow commercial fisheries and agriculture processing outside the district center island of Moen. Generators and additional power distribution lines will be installed to keep pace with residential and commercial development. Potential new methods of generating power will be explored in Ponape where a hydro-electric plant feasibility study will be conducted.

The plan includes funds for completion of three new high school campuses: Jaliut and Marshalls Islands high schools in the Marshalls district and a new high school at Palikir on Ponape. It should also be noted that the expected completion of Ponape's road system will allow the new campus to be built without the expensive dormitories and feeding facilities which are now required at schools where students cannot live at home. Almost \$7 million has been programmed to replace substandard elementary classrooms and to keep pace with population growth.

New hospitals are planned for Yap (1975) and Majuro (1978 and 1979). Every district center will have a new or renovated hospital should the plan be fully implemented.

There are also relatively small amounts of money programmed to improve public works shops and yards, broadcast stations, police and fire stations, offices and courthouses.

The table below shows the broad outlines of the long-range plan to develop Micronesia's physical plant.

ATTACHMENT B.—PROPOSED CAPITAL IMPROVEMENTS PROGRAM, FISCAL YEAR 1975-80

[Dollars in thousands]

	1975	1976	1977	1978	1979	1980
Broadcast equipment				109		
Courthouses/hearing rooms			353			
Police stations/jails/fire stations		126		82	250	100
Elementary classrooms:						
Marianas	130			325		250
Marshalls				900		400
Palau			263			
Ponape	156	265	669	577		
Truk	80	200		749	1,000	1,000
Yap						
Total	366	465	932	2,551	1,000	1,650
Secondary facilities:						
Marianas			239		450	450
Marshalls	749	1,263	2,525			
Palau						
Ponape	164	165	250	213	2,000	
Truk	188	75		789		
Yap						
Total	1,101	1,503	3,014	1,011	2,450	450

ATTACHMENT B.—PROPOSED CAPITAL IMPROVEMENTS PROGRAM, FISCAL YEAR 1975-80—Continued

[Dollars in thousands]

	1975	1976	1977	1978	1979	1980
Public health.....	4,545	1,664	632	3,340	2,500	-----
Transportation and communications:						
Roads and bridges:						
Marianas.....	55	167	-----	-----	750	-----
Marshall.....	-----	-----	421	-----	-----	-----
Palau.....	97	1,408	1,651	1,467	1,742	931
Ponape.....	127	2,096	1,720	1,900	1,075	1,800
Truk.....	-----	300	-----	1,000	1,800	2,000
Yap.....	-----	909	-----	-----	-----	-----
Total.....	279	4,880	3,792	4,367	5,367	4,731
Docks:						
Marianas.....	-----	128	-----	1,500	-----	-----
Marshall.....	-----	2,444	1,161	-----	275	-----
Palau.....	-----	100	-----	1,000	-----	-----
Ponape.....	-----	-----	1,702	468	-----	-----
Truk.....	-----	120	1,203	182	1,700	-----
Yap.....	225	-----	2,479	-----	300	-----
Total.....	225	2,792	6,545	3,150	2,275	-----
Airports:						
Marianas.....	185	-----	-----	-----	-----	-----
Marshall.....	-----	-----	-----	-----	-----	-----
Palau.....	-----	136	-----	1,500	-----	-----
Ponape.....	250	1,500	1,500	-----	-----	-----
Truk.....	-----	1,300	-----	-----	-----	-----
Yap.....	-----	318	-----	1,953	-----	-----
Total.....	435	3,254	1,500	3,453	-----	-----
Telephones and communications.....	200	624	183	2,200	300	-----
Interisland ships.....	5,400	-----	3,600	-----	-----	-----
Resources and development.....	80	2,814	492	2,191	756	873
Community development.....	1,392	948	360	205	-----	-----
Utilities:						
Water, hq.....	85	77	70	64	-----	-----
Marianas.....	10	800	200	-----	647	250
Marshall.....	-----	-----	-----	714	800	-----
Palau.....	-----	380	-----	-----	-----	-----
Ponape.....	80	91	825	100	250	-----
Truk.....	665	770	1,300	2,800	365	1,704
Yap.....	-----	45	-----	453	-----	-----
Total.....	840	2,163	2,395	4,131	2,062	1,954
Sewer:						
Marianas.....	-----	-----	385	568	-----	320
Marshall.....	-----	-----	-----	400	-----	-----
Palau.....	-----	-----	-----	-----	-----	-----
Ponape.....	-----	-----	-----	-----	-----	-----
Truk.....	-----	150	1,650	1,500	-----	-----
Yap.....	-----	-----	-----	-----	-----	-----
Total.....	-----	150	2,035	2,468	-----	320
Power:						
Marianas.....	4,309	400	-----	625	350	500
Marshall.....	-----	508	255	412	-----	-----
Palau.....	-----	227	839	250	-----	601
Ponape.....	135	91	-----	1,660	-----	-----
Truk.....	110	160	726	132	1,028	-----
Yap.....	-----	157	-----	38	342	-----
Total.....	4,554	1,543	1,820	3,117	1,720	1,101
Maintenance and rehabilitation.....	350	916	1,131	1,123	316	869
Construction support.....	-----	1,158	1,136	1,112	1,004	990
General support.....	240	-----	80	390	-----	1,962
Grand total.....	20,007	25,000	30,000	35,000	20,000	15,000

Mr. CLAUSEN. Any other questions on my left?

[No response.]

Mr. CLAUSEN. As a matter of clarification in dealing with section 2 of H.R. 16731, where it states that "no sum may be obligated or expended until final agreement between the Marianas Political Status Commission and the United States has been signed," what physical act performed by what agency represents approval of the compact for

purposes of this authorization? And then, in addition, on line 15 reference is made as follows: " * * * and the United States has been signed," who will be signing for the United States, so that we can clear up some of this ambiguity?

Mr. WILSON. Mr. Chairman, at this time we would anticipate that the agreement, once completely agreed to by the two delegations, would be signed by Ambassador Haydn Williams, the President's personal representative in the negotiations, with the authorization of the President; this would be for the United States.

For the Marianas, we would anticipate that the agreement would be signed by the chairman of the Marianas Political Status Commission, which, as you know, is a body created and authorized by the Marianas district legislature. The chairman of that commission at the present time is Senator Edward Pangelinan.

Mr. CLAUSEN. Any other questions of the departmental witnesses on my left?

[No response.]

Mr. CLAUSEN. Do you have any further statements that you would like to make at this point?

Mr. JOHNSTON. No.

SUPPORT OF THE CONGRESS OF MICRONESIA

Mr. CLAUSEN. Then we will move to the witnesses from Micronesia. We have Representative Setik from the Congress of Micronesia.

Your statement has been included in the record as though having been read in full under unanimous consent agreement obtained by the chairman.

And if there are any other additional comments that you would like to make, Mr. Setik, we will be pleased to have any further testimony.

Mr. SETIK. Thank you, Mr. Chairman.

I have no further comments, other than to support what High Commissioner Johnston stated earlier. The money that we are seeking is a real necessity to develop our so-called infrastructure throughout the trust territory, mainly the roads and, of course, sewer and power.

We are not seeking money for any luxury items but the real necessities.

Mr. CLAUSEN. Were there any points of difference that you might have had as a representative of the Congress of Micronesia from that which has been presented either by Mr. Wilson or by Mr. Johnston, the High Commissioner?

Mr. SETIK. No.

Mr. CLAUSEN. OK.

Are there any questions on my left of the gentleman from Micronesia?

Mr. WON PAT. No questions.

THE EFFECT OF MICRONESIAN STATUS NEGOTIATIONS ON OTHER TERRITORIES

Mr. CLAUSEN. The gentleman from the Virgin Islands, Mr. de Lugo.

Mr. DE LUGO. Mr. Chairman, I have one statement. It would not be addressed to the gentleman from Micronesia but rather, perhaps, to one of the administration witnesses.

The budgetary question, I can understand that having been out there and seeing how these islands are scattered and realizing the difficulty we have in the Virgin Islands with just three islands, much less 2,000 scattered over this wide area.

But what is of great concern to me—and I am sure it is of great concern to my colleague from Guam and the Resident Commissioner from Puerto Rico—is that during these status talks, has the administration taken into consideration, has the administration been aware of the effect that this will have on the other territories and the Commonwealth of Puerto Rico—any action taken in Micronesia and in Guam?

Mr. WILSON. We are very much aware of it, Mr. Congressman, and have tried as much as possible to keep in the forefront of our minds just what the effect of our discussions—particularly with the Marianas district—would have with respect to the Federal relationship with the other territories of the United States.

We have been trying from the beginning of these negotiations to keep the interested committees of the U.S. Congress as much informed as to what we were doing as possible. And we have tried on as many occasions as possible to solicit the advice of the Members of Congress, both individually and as members of the committee might be speaking through the staff representatives.

One of the principal concerns which has been expressed is that which you have just alluded to. We are very much aware of the problems which are involved in this, and would hope that if there are particular problems that would affect the Federal territorial relationship as you see it, that you would feel free to let us know.

After all, we recognized from the beginning that these are agreements which are going to have to pass the test of congressional approval. It would be a waste of time on our part if we proceeded down a road which was obviously going to run contrary to the wishes of the Members of Congress.

Mr. DE LUCA. Well, I would just like to urge the administration to keep in mind that anything that is done politically with regard to Micronesia will have a definite impact on U.S. territories. And it is reasonable to expect this.

We are dealing in the other U.S. territories with U.S. citizens, and the political involvement in areas such as Guam, the Commonwealth of Puerto Rico, and the Virgin Islands has been a step-by-step, very slow, meticulous process.

I, myself, have spent 18 years in dealing with this. The first time I came to Congress was 18 years ago to visit with this committee. And with the guidance of this committee and the full Committee of Interior and Insular Affairs, we went step by step into the Organic Act, and moved on to greater self-determination. We have a unicameral legislature, eventually got an elected Governor, and finally we had a delegate in Congress, also.

But I can assure you that great political pressure will be put on from both Guam and the Virgin Islands as a result of the actions being taken here.

I just hope that some thought is being given to this by the administration so we can have a unified approach to these offshore areas.

I see at the present time you have an Ad Hoc Status Commission for Puerto Rico that was set up, I think—Mr. Chairman, do you serve on that?

Mr. CLAUSEN. That is correct.

This is a Presidential appointment.

Mr. DE LUGO. Presidential appointment, yes.

Mr. CLAUSEN. The answer is "Yes," I am on that commission.

Mr. DE LUGO. You are on that Commission, so you are very well aware of the problems that this poses.

So on the one hand the administration is dealing with Puerto Rico; we have had constitutional conventions in the Virgin Islands. But I would hope to approach my colleagues at the beginning of the next Congress and ask for some support in this area.

Mr. LUJAN. Will the gentleman yield?

Mr. DE LUGO. Yes.

Mr. LUJAN. What are you talking about? What effect is there going to be to Puerto Rico and the Virgin Islands if the Marianas become a territory?

Mr. DE LUGO. They are going to actually have a higher status.

It is patterned after Puerto Rico, but actually goes several steps beyond that in what is proposed. It is beyond the status of Guam. And the Guamanians, after all, are U.S. citizens and have proven this in recent conflicts.

So this is a reality, Manuel, with a great deal of pressure that I think, perhaps, Tony might want to comment on.

Mr. CLAUSEN. Will the gentleman yield?

Mr. DE LUGO. I yield back my time.

Mr. CLAUSEN. Well I was just going to say that as a member of the Ad Hoc Political Status Commission—by virtue of Presidential appointment—working in concert with the appointees from Puerto Rico, I can tell the gentlemen, or I would say "remind the gentlemen"—since we have discussed this personally—that we are very much aware of the political status concerns of other areas over which Congress exercises jurisdiction. And it is a subject of discussion within the confines of the political status commission membership here at home, as well as a recognition on the part of the Puerto Ricans that whatever we do there is going to have its impact on other territorial political status requirements.

And Mr. Foley is a member of that Commission as well.

And I am only stating this for the record, that I think that while it is not formally structured to give consideration to all of them simultaneously or in unified fashion, nevertheless that particular Commission is keeping in touch with the administration personnel and there is communication back and forth between the administration—not only on the Puerto Rican status question, but also its impact on other territories.

Mr. DE LUGO. I thank the Chairman.

Mr. CLAUSEN. Yes.

And I do want to state for the record that what Mr. Wilson has stated is totally accurate.

We have had any number of informal meetings, primarily at the request of our chairman, Mr. Burton, and we have had informal meetings between the House and the Senate in an effort to bring about the most orderly negotiating process that could be acceptable to both the Executive and the Congress.

And they know full well that whatever is going to be proposed has to be satisfactory to us; it also has to be satisfactory to the people in Micronesia. And that is what the negotiating process is all about.

And I just wanted to state for the record that what you did convey to us is more than a truism, because we have had at least a half a dozen sessions that I have been part of.

Does the gentleman from Guam have any questions or comments?

Mr. WON PAT. What I would like to comment on, just briefly, is that I think that my esteemed colleague from the Virgin Islands deserves praise for his comment on the subject. I would like to congratulate the Micronesian people—my fellow Micronesian people—for the rapid progress, politically speaking, that they are making.

I understand, of course, that we, as the U.S. Government, have an obligation to see that these people develop fully to the extent of their capacity and their ability—politically, socially, and economically.

And I think the United States is doing a good job, as is evident from what we are trying to do for them again. But at the same time I recognize, of course, the concern of the other territories, as my esteemed colleague has just mentioned.

And in that regard I think the committee is aware that Guam has already created a political status commission, making a study with regard to its political status for the future.

Now, I had, of course, written a letter to the former President, asking him to create or appoint a commission to study the relationship of Guam and the U.S. Government. And all I got was an acknowledgment.

But subsequently I heard—by way of a press release—from the Secretary of the Interior, saying, in effect, that he is ready to sit down and talk with the leaders of Guam with respect to the relationship between Guam and the United States. And that is about the extent of the inquiry that I made.

However, I still feel that this committee should rightfully take this matter into consideration as it deliberates the plight of my Micronesian fellowmen.

Mr. RADEWAGEN. If I might respond to the Congressman from Guam.

Mr. CLAUSEN. Yes.

Mr. RADEWAGEN. This administration believes that we really ought to wait for the outcome of the status study being done by the people of Guam before we sit back and see what the alternatives are as far as a commission or any other mechanism by which we should study the future relationship of Guam and the United States.

And, as I understand it—you might correct me, Mr. Congressman—that such a study is contemplated to be completed by the legislature this month. I thought at the end of September, as a matter of fact, the report was due.

Mr. WON PAT. No; I am afraid not.

You know, this being a political year, people are more involved in elections.

Mr. RADEWAGEN. Well, we felt it was more prudent, Mr. Chairman, that we do wait until we see what the desires of the elected representatives of Guam are.

Mr. CLAUSEN. If the gentleman would yield, we might be well advised to determine who the elected officials of Guam that you will be negotiating with.

Mr. RADEWAGEN. Very well. Very well, sir.

The other point, with regard to the press release of Secretary Morton, I might state for the record that what was contemplated there was a meeting with the Guamanian officials on the relationship, the Federal relationship. Not necessarily status, but, rather, issues that the Governor might choose to put on the table to be discarded. It could range from the Jones Act to taxation—all of these various different matters that are points of interest certainly to the Congressman.

But not necessarily—and this may have been a misinterpretation on the part of many people—it is not presumed to include status as a subject of a joint Federal review.

Mr. CLAUSEN. Mr. Wilson.

Mr. WILSON. Mr. Chairman, may I respond to Congressman Won Pat's remarks for the record just to say that we have been particularly conscious in the Marianas negotiations of the intimate relationship between those talks and the interests of the people of Guam. And for this reason we have, on a great number of occasions, made it a point to keep the leadership in Guam as much as possible up to date on what we have been doing in our discussions with the people of the Marianas.

This has included both the Governor and the leadership in the Guam Legislature. We are immensely conscious of the problem here and are fully appreciative of the sensitivities which are involved.

Mr. CLAUSEN. I am going to ask that we try to move along as expeditiously as we can because there may be a call, and I would like to have some form of a disposal of the legislation before us.

But before proceeding, Mr. Setik, are there any other representatives from Micronesia that would like to present testimony?

ECONOMIC DEVELOPMENT IN MICRONESIA

Mr. SETIK. I have with me Senator Bailey Olter, who has also traveled with me to appear before you at this hearing.

Mr. CLAUSEN. Senator, we welcome, of course, your presence before the committee.

Do you have anything in addition to what has been presented by Mr. Setik that you would like to state to the committee, sir?

Mr. OLTER. No, Mr. Chairman.

Mr. CLAUSEN. The thought has occurred to me as I have listened, and you have heard the request from the Congresswoman from Hawaii of the departmental witnesses, to relate the history of the economic process in Micronesia. And, also, I asked that there be a projection of what they anticipate will be the future potential for development of the basic infrastructure and the commitments that are made as the results of this authorization are finalized.

I am wondering if it would serve your purposes if you would like to go back and make an evaluation of this and submit your own thoughts on this question. I think in this way we would have a balance between the administration in Washington and then the input, as you see the situation historically, and what you project to be the potential economic base, as well as the potential for revenue for a tax base, consistent with the dialog that took place between Mrs. Mink and the departmental witnesses.

Would you like to do this, Mr. Setik?

Mr. SETIK. Maybe I should ask my colleague, Mr. Olter.

Mr. OLTER. We would like to go back and work with our staff, to research and also submit our side—our view—on the question raised by Mrs. Mink.

But one point that I would like to make here is that when we talk about economic development, it should not be taken that that money granted by this committee or this Congress has been wasted.

We have done all we could in the expending of the money to develop the place, but still we have not developed the basics, as pointed out by the High Commissioner and also Congressman Setik. We have not developed the basic things we need to develop our economy.

For example, we talk about fishing; we don't even have the boats to begin with. We have trained a certain number of Micronesians in the area of high-sea fishing, but we do not have the means to go out and catch, we do not have the freezing plants to freeze our catch and so forth.

Now, talking about agriculture, we do not have the basic—even dirt roads—to drive jeeps or trucks around the island. We are really going to basic agricultural development.

So, I concur fully with our High Commissioner that we need the increase to build our basic infrastructure, to start the development.

Thank you, Mr. Chairman.

Mr. CLAUSEN. Yes.

Well, without objection from any members of the committee, then, we will submit a similar request to you that you convey what you see to be the historical situation as far as the economic development history of the past, and then what you see to be the potential projection for the future.

Without objection, so ordered.

[Letter in answer to the request follows:]

CONGRESS OF MICRONESIA,
JOINT COMMITTEE ON PROGRAM AND BUDGET PLANNING,
Saipan, Mariana Islands, November 15, 1977

HON. PHILLIP BURTON,
*Chairman, Territorial and Insular Affairs Subcommittee,
Committee on Interior and Insular Affairs,
Rayburn Office Building, Washington, D.C.*

DEAR MR. CHAIRMAN: During the hearings on the authorization legislation for the Trust Territory, Representative Mink asked several questions regarding economic development during the past twenty-five years and projected economic development for the next several years. Congressman Clausen, Acting Chairman, suggested that the representatives of the Congress of Micronesia respond to these questions, in addition to responses from the Department of Interior. My understanding of the question was that the Committee was interested in our view of economic development during the last twenty-five years, our opinion of where we are now, our definition of self-sufficiency, and our projection of where we are going in the next several years.

The same statistical information is available to the Congress of Micronesia as is, available to the Department and it has hopefully been submitted to you. I, therefore, feel that the views of the Joint Committee on Program and Budget Planning can best be given in narrative form. Twenty-five years ago Micronesia was devastated by war. We started from practically nothing. Clearly there has been a significant amount of economic development during the last twenty-five years. The only way to measure whether or not there has been enough development is to measure the amount of development that has taken place against some definite goal. Micronesia's goal is self-sufficiency. This does not mean that we will

never have to ask for aid or assistance from other countries or international agencies. What it means is that we will be able to operate our government primarily from locally raised revenues. It also means that all Micronesians who wish to be employed can find jobs. It really means that the economy of Micronesia will support a decent standard of living for her people, without large amounts of foreign capital. Measured against this standard, we have clearly not reached the goal.

American dollars which have come to Micronesia in the last twenty-five years have not been used primarily for economic development. Rather, they have been used to operate a government. Health services have been provided, an educational system has been developed, the public works department operates, etc. Funds have also been used for the Economic Development Loan Fund and to operate the Resources and Development Department in the government. Capital Improvement funds have been used for building classrooms, hospitals, staff housing, government buildings, and other facilities. A substantial portion of these funds, however, have been used to provide an infrastructure in Micronesia that will make economic development feasible. Roads and bridges have been built, airports and docks are being built and improved, power, water and sewerage systems are being installed. All of these things are necessary before Micronesia will have the facilities necessary to develop her economy.

This is only one side of the picture, however, and represents the type of programs that have taken place in the district centers and on the major islands in Micronesia. In the hundreds of inhabited outer islands, little has been done to change living conditions during the last twenty-five years, and there has been little change from a subsistence economy.

The Joint Committee on Program and Budget Planning would characterize the last twenty-five years as preparation for economic development rather than a period of actual economic development. The period of preparation was clearly necessary. The Congress has always felt that it went on far too long. Economic development should have started much sooner. However, within the last several years, Micronesia has started to develop economically. Our three main industries, tourism, agriculture and fishing are all now beginning to become industries which should generate the revenue necessary to support Micronesia's government in the future. We are now at the point where real economic revenue generating development is starting. Predictions for the future, however, are always difficult.

From 1965 through June 30, 1974, the Congress of Micronesia raised total revenue of \$18,241,595. For fiscal year 1975 these revenues will be around six million dollars. Compared to the \$75,000,000 that is needed to run the Micronesian government in fiscal year 1975, it is more than clear that Micronesia is far from being self-sufficient by anyone's definition. When we will reach that level of development is unknown and I can not even make a good guess. It depends on many things. One of the most important at this point is continuing United States Financial support. Funds are needed to complete our infrastructure in the district centers and on the major islands of Micronesia. Further, funds are needed to support our emerging industries. Without continuing United States financial support economic development will indeed be slow. With it, however, our infant industries can be developed, which will create more revenue, more jobs, a higher standard of living for our people and finally economic self-sufficiency. The Congress of Micronesia is interested in development in both the district centers and the outer islands of Micronesia. Steps are being taken to insure that development does occur in all parts of Micronesia.

I feel that one of the most important steps to be taken at this time is to devise a economic development plan for Micronesia. This plan will be formulated with the specific purpose of answering the question of when and how Micronesia can become self-sufficient. I am hopeful that the Congress of Micronesia will take favorable action on legislation for the creation of this development plan during the next regular session of the Congress of Micronesia to be held in January/February of 1975.

I hope that the information we have provided you in this letter will help you in your consideration of our authorization legislation for fiscal years 1975 and 1976. I would like to urge favorable action on this legislation, for its passage is vital to the development of our islands toward their goal of economic self-sufficiency.

Sincerely yours,

RAYMOND SETIK.

Mr. CLAUSEN. Do we have any questions of the gentlemen from Micronesia, both the senator and the representative?

[No response.]

Mr. CLAUSEN. On my right?

Mr. LUJAN. Do you intend to move on the bill before we get all of this information that you are asking about for the full committee?

Mr. CLAUSEN. Yes.

The intent—based upon the discussion that I have had with the chairman earlier in the hearings when Mr. Hosmer was here—it was felt that because of the need to move the legislation, and that the full committee will have to give consideration to it anyway, and that we are now within a reported 10 days of going into recess, that in the interest of time, the chairman, Mr. Burton, and I felt that we should move the legislation pending before us without prejudice to the full committee, and then if there are any amendments that are to be offered, that it could be taken care of in the full committee.

That was the understanding that we had before your arrival here, I believe, to the subcommittee.

Well, then, if there are no further questions or comments from the committee members or from the witnesses, then we will proceed.

CONCLUDING REMARKS

Mr. CLAUSEN. Would the young lady have any comments that she would like to make for the purpose of the record?

Mrs. DIAZ. No.

Mr. CLAUSEN. That is an indication of a brilliant young lady.

Mr. THORPE. Mr. Chairman, I am Mr. Thorpe. I understood that I would be on this witness list. I am from Carlsbad, N. Mex.

Mr. CLAUSEN. Just one moment, sir.

Mr. THORPE. Carlsbad, N. Mex.

I also submitted a—

Mr. CLAUSEN. Just one second, Mr. Thorpe. The only witness list that I have here does not contain your name, only the names of Government representatives.

Mr. THORPE. Mr. Chairman, this man knew 3 days ago that I had testified before the Senate on this same hearing. Now I have submitted nine questions which Patsy Mink, the Congresswoman, had agreed would be heard here.

Now, Mr. Winkel has those or did have them. They were laid on his desk.

Now if you don't want this testimony, let's take it out in the open.

Mr. CLAUSEN. Just one moment.

Let me ask, is your testimony pertinent—

Mr. THORPE. Absolutely to this.

Mr. CLAUSEN [continuing]. To the legislation that is before us, or is it—

Mr. THORPE. Absolutely; they should not get this money.

Mr. CLAUSEN [continuing]. Or is it an administrative detail?

Mr. THORPE. It pertains exactly to this. If you will read—do you have a list of these questions?

Mr. CLAUSEN. No; I don't have any such list.

Mr. WINKEL. I have never seen such a list.

Mr. THORPE. You certainly do know what I am talking about. It was laid on your desk.

Mr. CLAUSEN. Off the record.

[A discussion off the record.]

Mr. CLAUSEN. On the record.

The gentleman from Guam has made the suggestion that we accept the questions you have here. But in light of the procedure where we are going to be simply moving the legislation to the full committee for subsequent disposal anyway, that we would accept these questions and they would be directed to the chairman himself; and we will see that he has these questions, and then it is up to him to make that decision.

Mr. THORPE. But no guarantee that they will be read.

In other words, here are charges you don't want to hear, Mr. Chairman. You tell me this man is only on the committee; he has no power. Yet he is sitting there, telling you not to take this paper.

Mr. CLAUSEN. No, no, I was just asking for background.

And I will state for the record that Mr. Winkel's comment was that Senator Jackson and his investigating committee is going to be giving consideration to your particular request.

Mr. THORPE. Be given consideration—it has been going on for 6 months.

They have uncovered 56,000 tons—can you visualize 56,000 tons of equipment that was shipped to the trust territory? They have the shipping documents, they have the dates, and there ain't one-tenth of it that can be found. Can you visualize that?

And you are sitting here and you won't look at this?

Mr. CLAUSEN. Well, I have no—

Mr. THORPE. I have my right up here, Mr. Chairman.

I made a fool, I made an outright fool of myself—

Mr. CLAUSEN. No.

Mr. THORPE. Yes, I have.

I have fought everybody. The only help I got is from Senator Jackson, the only man who has ever treated me decently.

This is unbelievable. Do you realize what these papers cost me—\$50 at the hotel to have them made out for these people. I am paying my way. Nobody is doing this for me. And I am going to be heard?

Mr. CLAUSEN. Well, you have been heard.

Mr. THORPE. No, I have not been heard.

Mr. JOHNSTON. I say the trust territory government can answer any question—

Mr. THORPE. We're asking you, Mr. Johnston.

Mr. JOHNSTON [continuing]. Submitted to us through this committee. We will be more than happy to answer them and clarify them.

Mr. CLAUSEN. All right, fine.

We will accept the questions and channel them to the appropriate individuals in order that they may respond.

Mr. THORPE. Mr. Chairman, this is a hearing. This is where you bring these things out. This is what I have been doing.

Mr. CLAUSEN. Yes.

Mr. THORPE. I was told to come here by Jerry Verkler—told to come here.

Mr. CLAUSEN. Well, I wish I was in the position of making the decision to you—

Mr. THORPE. I'll tell you one thing, Mr. Chairman. I don't even know your name, but if you will let this go on, I can't say much for you. I tell you straight, because the work I do—

Mr. CLAUSEN. Well, we are operating under an unprecedented procedure today.

Mr. THORPE. You are concerned with money. This is what these men were all talking about.

Mr. CLAUSEN. Well, up to this point we have been dealing with a hearing and at some point we are going to—as I stated before—because of the reorganization act being on the floor, because of the fact that the chairman, who has the prime responsibility for the conduction of the hearing, Mr. Burton, had to be on the floor, we agreed that we would hold the hearing and then advance the legislation to the full committee without prejudice, so that the final disposition of this legislation would be handled—

Mr. THORPE. All right, Mr. Chairman. Am I entitled to be heard here?

Mr. CLAUSEN. You have been heard, yes.

Mr. THORPE. No; am I entitled to read a statement I have and to have these questions answered?

This man misled me; he told me—when I asked him yesterday to put me on the list, he said, "You don't have to be on the list. You can walk in and testify. It is an open hearing."

You deny that and I will say straight to your face, "You are a barefaced liar."

Mr. WINKEL. That is not what I said.

Mr. THORPE. To take a beating like I have financially and mentally and sit here and have you make a fool out of me, you are nothing.

Mr. WINKEL. We have offered to take his questions and pass them on to the chairman, and we have offered to take them and pass them on to Mr. Johnston for replies which, with Mr. Thorpe's questions, will be included in the record of this hearing.

Mr. THORPE. They were given to four different people: Mink, Foley, Burton, and you.

Mr. CLAUSEN. The record will show that up to this point I have not seen them.

Mr. THORPE. I think the record should also show that you did not want to see them.

Mr. CLAUSEN. No; pass them here.

Off the record.

[A discussion off the record.]

Mr. CLAUSEN. On the record.

Let the record show that the questions presented by Mr. Thorpe are now presented to Commissioner Johnston, and I ask that they be responded to.

[Document handed to Mr. Johnston. Unsigned letter of Mr. Thorpe with questions and Mr. Johnston's reply follow:]

SEPTEMBER 30, 1974.

Mrs. PATSY T. MINK,
*Representative from Hawaii,
 House Office Building.*

DEAR MRS. MINK: Following are the questions which I would be pleased if you would ask Mr. Johnson during the hearing on additional funds requested by the Trust Territory:

(1) Explain the mishandling of money and applying it to projects which were not appropriated for as stated in Report issued on June 26, 1970 by the General Accounting Office.

(2) Explain to the Committee why water and sewage lines installed on Saipan by Amelco Engineering Company of Honolulu, Hawaii has never been completed although the Company has been paid in full. The sewage line has sections without connectors and hook-ups for the homes in San Antonio Village. The Black Construction of the Trust Territory is now rebuilding the sewage line that was never completed.

(3) Why did TT officials give away U.S. property? This equipment should be put up for spot bid or seal bid sales and the money returned to the U.S. Treasury or TT property be returned to the TT Treasury. As in the case of the 6 generators that were sold to Mr. Thorpe by Mr. Sakuma on the Island of Palau. Mr. Sakuma never owned this equipment, never had a title to it. The equipment was U.S. property.

(4) Why did Mr. Johnson refuse to give Mr. Thorpe an appointment or a hearing to explain how Mr. Sakuma obtained this property?

(5) Why were 5 barges obtained from the U.S. Army by the TT officials when they were not practical for their operation? The cost of fuel, maintenance, plus salary would run at approximately \$350.00 a day minimum, Mr. Peter Wilson, Chief of the Marine Resources claimed that they were all completely rebuilt at the Dae Son Shipyard in Korea. There was only 1 barge completely rebuilt and it was sold to the Philippine Packaging Company. As the barges anchored at Majuro and Yap have been inspected and are incomplete, it would require \$90,000 for the one on Majuro to be put in running condition.

(6) Where did Mr. Johnson get the money for the work done on Port Nixon and the repairs to the ship named Gunners Knot? It had been condemned by several different inspectors as scrap, yet it was taken to Dae Son Shipyard and \$100,000 was spent on repairs.

(7) What percent of the \$60 million appropriated by the Congress will be used for the 750 Americans now employed in the Trust Territory?

(8) Why has there never been a coconut plant installed in the Trust Territory? Coconut is one of their main assets.

(9) What happened to the 56,000 tons of equipment that was shipped from Okinawa to the Trust Territory?—The shipping cost of \$795,000 and an additional \$80,000 that was shipped to the Trust Territory and charged to the U.S. Army.

TRUST TERRITORY OF THE PACIFIC ISLANDS,
 OFFICE OF THE HIGH COMMISSIONER,
Saipan, Mariana Islands, November 22, 1974.

HON. PHILLIP BURTON,
*Chairman, Subcommittee on Territorial and Insular Affairs,
 Committee on Interior and Insular Affairs,
 House of Representatives,
 Washington, D.C.*

DEAR MR. CHAIRMAN: On October 1, 1974, representatives of the Trust Territory of the Pacific Islands appeared before your Subcommittee on Territorial and Insular Affairs to testify on our request for increased funding authorizations for fiscal years 1975 and beyond. Near the end of the hearing, Mr. Richard Thorpe, who was present in the hearing room, demanded to be heard as a witness and engaged in a discussion with Congressman Clausen, who was presiding over the meeting. At one point in the discussion, Mr. Thorpe handed a list of questions to Congressman Clausen, which he had prepared for Congresswoman Patsy T. Mink of Hawaii. At that point, I assured the Chairman that we could answer any questions which Mr. Thorpe might have. Despite the fact that some of the questions are almost totally ridiculous, we shall attempt to answer each of them for the record.

Although we are attaching a complete list of questions exactly as submitted, each question will be repeated prior to answering it to assist you and the members of your Committee in reviewing our answers.

(1) Explain the mishandling of money and applying it to projects which were not appropriated for as stated in Report issued on June 26, 1970 by the General Accounting Office.

The report of the General Accounting Office, to which Mr. Thorpe apparently refers, mainly covers discrepancies in the Trust Territory financial record-keeping for the years 1967, 1968 and 1969, prior to my becoming High Commissioner. I was made aware of this report shortly after arriving in the Trust Territory and, since that time, have attempted to institute a new Financial Management System for the Trust Territory. The initial request for this system was made in January, 1969, some five months prior to my appointment as High Commissioner.

We have very definitely improved our financial record-keeping but are still desirous of instituting our new Financial Management System. Enclosed is a summary indicating the various steps that have been taken in this regard from 1969 through October, 1974, prepared at my request by our Director of Finance, Mr. Ronald A. Peterson, C.P.A.

(2) Explain to the Committee why water and sewage lines installed on Saipan by Amelco Engineering Company of Honolulu, Hawaii was never completed although the Company has been paid in full. The sewage line has sections without connectors and hook-ups for the homes in San Antonio Village. The Black Construction of the Trust Territory is now rebuilding the sewage line that was never completed.

This question was answered fully in a letter dated November 1, 1974, from Mr. Stanley S. Carpenter, Director of the Office of Territorial Affairs, Department of the Interior, to Mrs. Mink. A copy of that portion of the letter relating to the Amelco contract is enclosed.

(3) Why did TT officials give away U.S. property? This equipment should be put up for spot bid or seal bid sales and the money returned to the U.S. Treasury or TT property be returned to the TT Treasury. As in the case of the 6 generators that were sold to Mr. Thorpe by Mr. Sakuma on the Island of Palau. Mr. Sakuma never owned this equipment, never has a title to it. The equipment was U.S. property.

The case involving Mr. Richard Thorpe and some surplus generators in Palau is documented thoroughly in a report by the Trust Territory Attorney General's Office, dated October 5, 1973, a copy of which is enclosed.

(4) Why did Mr. Johnson refuse to give Mr. Thorpe an appointment or a hearing to explain how Mr. Sakuma obtained this property?

When I first received a wire from Mr. Thorpe from Palau, I immediately called the District Administrator to discuss Mr. Thorpe's alleged problems with him. From that conversation I determined that it would not be necessary or advisable for me to personally talk with Mr. Thorpe, although he did later talk with the Attorney General and the Deputy High Commissioner.

(5) Why were 5 barges obtained from the U.S. Army by the TT officials when they were not practical for their operation? The cost of fuel, maintenance, plus salary would run at approximately \$350.00 a day minimum. Mr. Peter Wilson, Chief of the Marine Resources claimed that they were all completely rebuilt at the Dae Son Shipyard in Korea. There was only 1 barge completely rebuilt and it was sold to the Philippine Packaging Company. As the barges anchored at Majuro and Yap have been inspected and are incomplete, it would require \$90,000 for the one on Majuro to be put in running condition.

Mr. Thorpe has indicated in stories in the public press and in testimony before the United States Senate Interior Subcommittee on Territories and Insular Affairs that he heard the "story of the barges" in a local bar somewhere in the Trust Territory. For purposes of dissemination to the media, I requested from the Deputy High Commissioner a complete report on the five refrigerated barges which had been secured by our government through surplus property channels. A copy of the message which I received is enclosed for your information. In this regard, I might say that we do not consider Mr. Thorpe an authority on barges or many of the other things concerning which he has made unsubstantiated and sometimes ridiculous charges.

(6) Where did Mr. Johnson get the money for the work done on Port Nixon and the repairs to the ship named Gunners Knot? It had been condemned by several different inspectors as scrap, yet it was taken to Dae Son Shipyard and \$100,000 was spent on repairs.

Mr. Thorpe, apparently, refers to a small ship repair facility on Pelelieu in the Palau District which has been in operation for approximately two years. Although a suggestion was once made that the area be named Port Nixon, this suggestion was never implemented. I am enclosing a report to me from the Deputy High Commissioner, dated September 30, 1974, concerning the operation of this ship repair facility.

As for the second part of the question, the Gunners Knot was chartered by the Trust Territory Government to the now defunct Micronesian Interocean Line, Inc. (later known as Transpac) for several years. In its charter, Transpac agreed to return the ship to the Trust Territory at the end of the charter in the same condition the ship was in when the charter commenced. When the charter was terminated, the company, which was already several million dollars in debt, flatly refused to carry out this condition of its charter agreement. During a trip to Pusan, Korea, for the christening of the first of our new field trip ships, the MV Micronesia Princess, the Gunners Knot was personally inspected by me, Speaker Bethwel Henry of the House of Representatives, Congress of Micronesia, and Mr. Elias Okamura, Assistant to the Director of Transportation and Communications of the Trust Territory Government. We were accompanied by two recognized marine engineers whose knowledge, I am sure, is far superior to Mr. Thorpe's. A decision was made to place the vessel in operating condition at Trust Territory Government expense, and this decision has proved to be a wise one.

(7) What percent of the \$60 million appropriated by the Congress will be used for the 750 Americans now employed in the Trust Territory?

There are now 546 United States citizens employed throughout the Trust Territory Government. Of these, 150 are U.S. Civil Service and 396 are contract employees, usually serving under a two-year employment agreement. The total compensation for pay period ending November 9, 1974, for expatriate employees (including government-share of life insurance, health insurance, FICA and Civil Service retirement benefits) is

$$\begin{array}{r} \$366,430\text{—one pay period} \\ \times 26\text{—pay periods in one year} \\ \hline \$9,527,180 \end{array}$$

This was 15.8 percent of our total current Federal authorization of \$60 million.

(8) Why has there never been a coconut plant installed in the Trust Territory? Coconut is one of their main assets.

Apparently, a coconut processing plant within the Trust Territory is not considered financially practical. A Mr. George Archibald of Guam secured a lease of Government land on Tinian in the Mariana Islands District several years ago for the construction of such a plant. At various times, particularly during 1971 and 1972, he had tentative statements of interest from financial organizations in various parts of the Pacific area.

In each case, a detailed study of the financial prospects of such a plant in this area caused the tentative offers of financing to be withdrawn, and in 1973 Mr. Archibald's lease was terminated for nonperformance by the Mariana Islands District Administrator.

We are considering the possibility of producing desiccated coconut in several districts and are in the process of appointing members of a Coconut Processing Board, established by an Act of the Congress of Micronesia in its 1974 Regular Session. Contact has been made with an expert from Germany on this subject and he is scheduled to meet with the members of the board in the next few months. Even though the copra market is not at its highest price in history, we are constantly searching for new ways to process and export our crop of coconuts.

(9) What happened to the 56,000 tons of equipment that was shipped from Okinawa to the Trust Territory?—The shipping cost of \$795,000 and an additional \$80,000 that was shipped to the Trust Territory and charged to the U.S. Army.

This is another charge which arose from Mr. Thorpe's now famous barroom discussion with some disgruntled individual in the Trust Territory. We do not know where the figures quoted originated, and this entire matter has been officially investigated on several occasions, including a recently concluded investigation by the General Accounting Office.

Contrary to allegations made by Mr. Thorpe, the procurement of United States surplus property through our Liaison Office in Okinawa has been of tremendous value to every district of the Trust Territory, and we await with interest the report of the most recent investigation.

Should you or the members of the Committee desire any further information on any of the above subjects, we will be glad to provide it or discuss this matter at our next hearing before your Subcommittee.

Our congratulations to you, Mr. Chairman, and to Congressman Clausen on your re-election to the Congress of the United States, and our sincere thanks for your continued interest in helping the Trust Territory move forward.

Sincerely yours,

EDWARD E. JOHNSTON.
High Commissioner.

Enclosures.

[QUESTION 1]

TRUST TERRITORY OF THE PACIFIC ISLANDS,
OFFICE OF THE HIGH COMMISSIONER,
Saipan, Mariana Islands, October 25, 1974.

January 1969.—Letter to Office of Territories transmitting solicitation for proposals for review by Survey & Review.

February 1969.—Reply to above letter with Mr. Hall's comments; suggested changes were incorporated.

May 1969.—Second letter from Mr. Hall with additional changes to proposal. These changes were incorporated.

October 1969.—Solicitation for proposal mailed to eight consulting firms. (Proposals were received from three firms.)

All potential bidders were informed on October 23, 1969, of the Trust Territory's intent on to upgrade ADP equipment to Model 30.

February 1970.—After evaluation in Saipan, Mr. George Hoover visited Washington. After discussion with representatives of Office of Territories and Survey & Review, it was unanimously agreed negotiations would commence with PMM.

March 1970.—Contract was signed.

June 1970.—Statement of Accounting Principles and Standards forwarded to Interior for review and comments.

July 1970.—Remarks on system received from Office of Territories. These were subsequently discussed in detail by Mr. Hammock with the contractor. No major changes recommended.

Mr. Hammock and Mr. Stasko visited the Trust Territory.

August 1970.—Receipt of Mr. Hammock's letter to contractor expressing concern over ADP application.

October 1970.—Details discussed with contractor's Mr. Caron in Washington.

April 1971.—Financial Management System Manual completed by PMM and copies forwarded to Office of Territories.

October 1971.—Meeting with Assistant Secretary Bodman, High Commissioner, Mr. Caron, et al to discuss implementation of FMS.

November 1971.—Received PMM proposal for implementation of FMS—estimated fee of \$755,000.

January 1972.—Recommended to Mr. Carpenter that we not contract with PMM but rather do an in-house implementation.

—Revised FY 73 budget to include \$120,000 for implementation of FMS.

May 1972.—Deputy Assistant Secretary Emley approved a modified (including PMM contract) in-house approach and designated Office of Management Consulting to coordinate implementation of FMS with Trust Territory.

June 1972.—Meeting with Deputy Assistant Secretary Emley, Mr. Peterson, et al to further discuss implementation of FMS.

July 1972.—PMM made proposal to refine and amplify FMS Manual—estimated fee of \$172,000.

September 1972.—Requested reprogramming of \$220,000 to cover PMM contract for implementation of FMS—request never approved.

June 1973.—Suggested that we commence in-house implementation of portions of FMS without aid of PMM or other contractor.

October 1973.—Meeting with Mr. Chazin (Office of Accounting Management & Policy) and Mr. Peterson regarding June 1973 suggestion.

—Mr. Carpenter approved suggestion of June 1973.

June 1974.—Mr. Hulbert (Office of Management Consulting) contacted Mr. Peterson regarding implementation of FMS.

September 1974.—Mr. Hulbert visited Trust Territory to obtain information regarding implementation of FMS.

October 1974.—We are awaiting Mr. Hulbert's report and recommendation.

[QUESTION 2]

AMELCO CONTRACT

(3) The first phase of the Saipan water and sewer system construction was funded by an FY 1968 (Typhoon Jean) second supplemental request. Two contracts were awarded to Amelco Engineering Company during 1969 to install water and sewer lines on Saipan. Contract No. 509 consisted of installing trunk sewer lines along the beach road and in the villages of San Antonio, Chalan Kanoa, Oleai, and Garapan and all sewer lift stations and connections required. Water lines were to be installed from Maui IV well along West Coast Highway, Wallace Road, Isley Field Road and Texas Road; waterloops for the civic center and the villages of Chalan Kanoa and San Antonio; reservoirs at Tanapag, the hospital, and San Vicente; water treatment plants at Maui IV and at Isley Field; plus booster pumps, chlorinators, and electrical connections as needed. Notice to proceed was given on June 23, 1969 with construction to be completed within 575 days or January 18, 1971. An extension of 312 days was granted to move the completion date to November 23, 1971.

Contract No. 534 provided for sewer lines from the hospital to Oleai Village; sewer lines for Garapan and Tanapag harbor areas; the Tanapag harbor outfall line; and necessary lift stations. Water work included an extension of a line from the West Coast Highway to Achugan Spring and the construction of an intake box and chlorinator house at the Spring. Notice to proceed was given on August 12, 1969 with a completion date of February 8, 1970. An extension of 656 days brought the completion date to November 23, 1971.

All phases of the contracts were completed during 1971. Amelco had submitted claims totalling \$587,000 above the contract amounts, based primarily on having experienced alleged excusable delays. Negotiations were completed by November 20, 1971 with Amelco accepting a \$200,000 final settlement. The final dollar amounts of the contracts were \$2,613,394 for Contract No. 509 and \$601,149 for Contract No. 534, for a total of \$3,214,543.

Final A&E costs were \$290,927 and final costs of inspection, contract administration, and other construction overhead were \$298,252 for a total project cost of \$3,803,722 well within the \$3,971,500 appropriated in the FY 1968 supplemental.

Continuation of the water system work was authorized by the regular FY 1973 appropriation.

The scope of work for the Black Micro Corporation contract, TT-173-129 was quite different from the Amelco Contracts discussed above. The Black Micro Contract called for improved distribution including hydrants, valves, service connections, meters, and appurtenances for the villages of Chalan Kanoa, San Antonio, Susupe, and Oleai. The work also involved construction of an eight inch transmission line from Maui IV treatment plant to Ashmetog reservoir on Saipan. Construction began July 2, 1973 and is over 98% complete with an estimated completion date of October 31, 1974.

It should be noted, however, that a small contract was let to Black Micro in April 1973, to extend sewerage laterals to property lines along streets to be paved in Chalan Kanoa, Susupe, and Oleai villages. The original contract was for \$10,900, funded out of the Saipan Trust Fund. It was necessary to issue change orders to increase the contract to \$24,687 when it was found that Amelco had failed to install necessary elbows for attaching the laterals. A forty-day extension was granted with final project completion on September 9, 1973. This is the only instance where the Black Micro and the Amelco contracts overlapped.

[QUESTION 3]

TRUST TERRITORY OF THE PACIFIC ISLANDS,
OFFICE OF THE HIGH COMMISSIONER, SAIPAN,
October 5, 1973.

To: Deputy High Commissioner.
Thru: Attorney General.
From: Assistant Attorney General.
Subject: Report on Richard Thorpe.

On September 10, 1973, the undersigned traveled to Koror, Palau to review certain business matters in that district. Prior to leaving for Koror, I was instructed by the Deputy High Commissioner to look into the matter of Richard Thorpe and his alleged agreement with Mr. Ronald Sakuma for purchase of six diesel generators.

On September 24, 1973, the undersigned, under the instruction of both Deputy High Commissioner and the High Commissioner, went to Koror to confer with Palau District Administrator on the same subject.

The following is a report of the activities and events surrounding Mr. Thorpe's attempts to acquire six generators from Palau.

Sometime in early part of May, 1973, Mr. Thorpe called from Saipan to Palau inquiring from Palau District Supply Officer, Mr. Frank Malsol, the status of six generators which the Trust Territory Government was about to survey and put up for scrap. For many years and up to this date, Mr. Ronald Sakuma, a Palauan scrap dealer, has been the only holder of a non-exclusive scrap dealer license in Palau District. Consequently, it has not been practical in many instances for the Trust Territory Government to put scrap up for public sale. Trust Territory Manual of Administration, Part 278.2.4, authorizes the District Administrator to dispose of government property, including scrap by abandonment, destruction, donation to eligible donees, sale or otherwise. In cases where heavy scrap metals such as generators are involved, and in places such as Palau where it is not practical to dispose of them through public sale, the Trust Territory either by abandonment or destruction, has had to remove such scrap at a considerable expense. To save the Trust Territory this unnecessary expense, the practice in Palau District has been to simply turn over all scrap to Mr. Sakuma who removes them at his own expense. Based on this practice, Mr. Malsol advised Mr. Thorpe that the six generators will be turned over to Mr. Sakuma and that if Mr. Thorpe was interested in them, he should contact Mr. Sakuma. It should be pointed out here that Mr. Thorpe has not and is not licensed to deal in scrap business anywhere in the Trust Territory.

Based on the conversation with Mr. Malsol, Mr. Thorpe went to Guam to discuss a possible deal with Mr. Sakuma who was, at that time, in Guam Naval Hospital. According to Sakuma, Thorpe knew these six generators were still to be surveyed. Apparently, Mr. Sakuma told Mr. Thorpe to get in touch with his son, Bena Sakuma in Palau. Mr. Thorpe shortly thereafter went to Palau where he met Bena Sakuma and signed a sales agreement with the younger Sakuma whereby Thorpe was to buy these six generators and approximately 250 tons of scrap metals for \$1,000.00. Thorpe at the signing of the agreement gave the younger Sakuma \$100 as a binder. Pursuant to this agreement, Ronald Sakuma accepted from Mr. Thorpe \$500 on June 6, 1973. Mr. Thorpe made several trips to Palau in connection with these generators. On each occasion, he was told that the generators could not be released until the Survey Report was approved by the District Administrator and that, in the event they are released, he would have to work through Mr. Sakuma. On one of these trips he went directly to Public Works and, without permission from anyone, started to "look around" in the spare parts rooms. Apparently Mr. Thorpe is quite familiar with these types of generators because he was able to identify parts which had never been used and which belonged to some of these six generators. It should be noted here that the Survey Board in its recommendation to the District Administrator that these six generators be scrapped, specifically required that all usable parts be removed prior to the disposal. Those public officials who met Thorpe all stated that they never made any reference to the spare parts in any of their conversations. This would seem to be the case in view of the fact that the spare parts were never considered by the Survey Board.

Thorpe kept pressing the public works officials to release immediately these generators. He was advised by everyone that he should work through Mr. Sakuma he being the only licensed scrap dealer. Thorpe got very upset and started threatening public works officials saying that he would get them fired and in one instance, actually assaulted Mr. Dave Herr, Manager of Palau Power Plant. Thorpe subsequently asked Mr. Sakuma for the use of Sakuma's truck, and three of Sakuma's employees promising to pay for their services and the use of the truck. Thorpe took these three men to the old Koror Power Plant where two of the subject generators were located. However, instead of attempting to remove the generators as Sakuma thought, Mr. Thorpe somehow managed to get inside the enclosed spare parts room and started to remove parts from the shelves. When Sakuma found out about this from one of the men working with Thorpe, and what Thorpe had said and done to Public Works officials, he got mad at Thorpe. Sakuma reminded Thorpe that parts were never included in the deal and therefore Thorpe should never again pull that kind of trick. Sakuma felt that Thorpe's entry into the enclosed parts room and removal of parts from the shelves constituted attempted theft of government property. Sakuma has had a good

working relationship with the government officials and he did not want this relationship destroyed. When he told Thorpe these things, Thorpe got mad at Sakuma and told Sakuma that since he had already bought the generators from Sakuma, he (Sakuma) was out of the picture now and had nothing to do with the generators anymore. Because of these, Sakuma told Thorpe that he was calling the whole deal off.

On my first trip to Palau, Sakuma said that Thorpe still owed him \$300 for the use of his truck and the services of his three employees. He stated again that he would not deal anymore with Thorpe under any circumstances and offered to give me the \$600 to return to Mr. Thorpe, an offer which I kindly refused.

Mr. Thorpe met the District Administrator, Thomas Remengesau on two different occasions. The first meeting was when Thorpe flagged down the District Administrator near the District Legislature Building. Thorpe told the District Administrator that he wanted to remove the generators out of Palau. Mr. Remengesau was on his way to a meeting and merely advised Thorpe that he would have to work with Mr. Sakuma. Thorpe asked for an appointment to meet with him and Mr. Remengesau agreed. Mr. Remengesau did meet with Mr. Thorpe although not at the previously agreed time. The District Administrator again advised Mr. Thorpe of the need for him to work with Mr. Sakuma due to the fact that Mr. Thorpe does not have any license to do business in Palau. Mr. Thorpe got very upset and began pounding on Mr. Remengesau's desk saying that he (Thorpe) has been a boxer and wrestler for years. Needless to say, Mr. Remengesau did not appreciate Thorpe's behavior.

Sometime in July, Mr. Thorpe came to the Attorney General's office asking to see the Attorney General, Mr. Richard I. Miyamoto. In addition to the Attorney General and Mr. Thorpe, Chief of Immigration, Mr. Mendiola and Mrs. Elizabeth Udui of the Economic Division were present at this meeting. Mr. Thorpe was visibly upset when he entered the office. He immediately started arguing that he already made a deal with Mr. Sakuma in Guam but Trust Territory officials were trying to stop him. He went on to say that he was mad because of the fact that a message was delivered to him by two police officers one weekend while he was in a hotel on Palau, that this made him look like a common criminal. When it was explained to him that urgent messages received on weekends were always delivered by police officers, he did not seem to be appeased. The Attorney General finally suggested that Mr. Thorpe explain what had happened so that they might be able to help him. Mr. Thorpe began to explain however, when Mr. Miyamoto started asking him questions, he (Thorpe) started back saying he was tired of people asking him questions. At this point, Mr. Thorpe stood up and said he had to go, that he could not take it anymore. As he left, he said he was going to see his Senator about this thing.

On that first trip to Palau we held a meeting with the District Administrator and members of his staff and Mr. Sakuma. I asked the District Administrator if it was possible to find a solution to the problem. The problem being, Mr. Thorpe wants the six generators but refuses to work with Sakuma; Sakuma refuses to work with Thorpe; the District Administrator considers Thorpe as persona non grata. During this same meeting, Mr. Remengesau officially turned over all six generators to Mr. Sakuma. It was finally agreed that Mr. Thorpe will be allowed to go down to Palau if Thorpe agrees to work with Mr. Sakuma and if Thorpe further agrees not to bother any government official. However, if Mr. Sakuma continues to refuse to deal with Mr. Thorpe that would be up to Mr. Thorpe to decide what actions to take. Mr. Sakuma stated that he would not deal with Thorpe and that he would prefer to return the money to Thorpe.

During a meeting held in Guam Hilton Hotel on September 19, 1973 between Messrs Stanley S. Carpenter, Director, Office of Territorial Affairs; Peter T. Coleman, Deputy High Commissioner; Harold Arnold, Chief, Procurement and Supply; Mr. Thorpe and myself, it was determined that at least some of the six generators were Federal property. After considering all possible alternatives, Mr. Carpenter suggested that the generators be taken back from Mr. Sakuma and the same be offered for public sale in order to comply with Federal Regulations on disposal of Federal property. Mr. Coleman agreed that regulations must be followed. On September 21, during a discussion on this matter with the High Commissioner and Mr. Boyd Mackenzie, Special Assistant for District Affairs, the High Commissioner underscored this same point saying that Federal Regulations must be followed when dealing with Federal property, and in the case of Trust Territory property, our regulations must be complied with.

On my second trip to Palau, I conveyed to the District Administrator both High Commissioner and Deputy High Commissioner's support of his administration and at the same time, emphasized their concern for compliance with all applicable regulations. Mr. Remengesau stated that while he had been given to understand that the subject generators were Trust Territory property, he would get the generators back from Mr. Sakuma if in fact they are Federal property, and that same would be disposed of pursuant to Federal Regulations. I informed Mr. Remengesau of the need to relay this message to Mr. Sakuma in order to prevent further attempts on Sakuma's part to remove the generators until a determination is made as to the generator's status. I subsequently met with Mr. Sakuma at the suggestion of Mr. Remengesau, and advised him of this development. Mr. Sakuma, being a reasonable man, readily agreed to halt all removal activities saying that he would not insist in keeping the generators, if to do so would mean a violation of a regulation or law.

On September 28, a final meeting was held in the Deputy High Commissioner's office. At this meeting, Mr. Arnold stated that of the six generators, four were Federal property. The High Commissioner and the Deputy High Commissioner both concluded that all six will be disposed of pursuant to Federal regulations since all of them were handled as one package. It was decided that Mr. Arnold should prepare the bid announcement, bid forms and other necessary documents and that the six generators will be sold at a public sale.

The following day, under the instruction of the High Commissioner, I called Mr. Remengesau and advised him of the decision. I informed him that a copy of this report will be sent to him along with copies of bid forms for his information.

CARLOS H. SALIH.

[QUESTION 5]

SEPTEMBER 28, 1974.

From: Hicomterpaxis, Saipan, Marianas Islands.
To: Secstate, Washington, D.C.,
For: Hicom Johnston.
Subject: Reefer barges.

1. The total acquisition cost of five refrigerated barges in Korea including drydocking, overhaul and rehabilitation was approximately dols 116,590. This not to place vessels in like new condition but to insure operational condition only. Breakdown for each barge would be dols 23,278. Total towing cost for four barges dols 75,750 or unit cost of dols 18,937.50. Total cost for rehab and towing for each district dols 42,215.50. All barges were rehabilitated in Korea. Only Truk has activated its barge and funds available for personnel, fuel, freon, etc. Approximately dols 80,140. Truk now desirous to also get barge ponape and Distad Ponape agreed.

2. Barge sold to Philippine Packing Company brought dols 165,000. Dols 100,000 of this obligated to R&D to build reefer plant in Majuro. Other approx. dols 65,000 credited against marine resources to cover FY 74 overrun.

3. Plans for specific use of barges: Yap has refused Palau request for barge and intends to eventually activate given adequate funding. Yap fishing authority very likely will use barge and in process of recruiting refrigeration engineer for marine resources refrigeration activities. Marshalls originally negotiated with Del Monte to establish skipjack fishery out of Majuro. Part of package was to lease and use barge. Negotiations with Del Monte broke down. Marshall Island Seafood Company recently been formed and now negotiating for the lease of barge from administration. Ponape barge being transferred to Truk. Truk barge now operational and fish have been frozen and stored on barge as general frozen cargo. Most of reefers chambers being rented by private businesses. Generally barges were acquired for fishery operations in the districts. Since then fishing authorities have been established and some of these barges will be used by the fishing authorities as the intensity of fishing increases.

QUESTION 6

SEPTEMBER 30, 1974.

For: High Commissioner Johnston.

Re Information requested in telecons Quinn/Phillips concerning Peleliu project.

Following lengthy site analysis throughout the TT by T and C, Hicom in memo dtd 10/15/71 requested Distad Palau to support work required to improve harbor area of southern Peleliu. Purpose of work to permit necessary trial projects to determine feasibility of a small ship repair facility at Peleliu. Following work

accomplished: 1) channel cleared of coral heads to permit ships entry 2) tentative land agreements were arranged with local residents 3) three temporary plywood houses constructed 4) one small water tank erected 5) one generator enclosure completed and 6) one covered repair shelter and cook shelter all sited on cleared land adjacent to pier area. Additional one surplus ship repair support barge was obtained from Navy and stationed in harbor. No rpt no work done on airfield. By memo 8/11/72 Territorial Planning Coordination Committee recommended to HICOM that the project continue at its current modest level and until the contracting officer could complete an indepth study of the project by experts. Also an in house study was to be completed by the Palau District planner. However these studies held in abeyance pending further budgeting and project scope held at current level X all monies spent on project from budgeted sea transportation operations funds expended in accordance with established procedures. From latter part of CY 71 to June 30, 1974 funds have been expended as follows:

	<i>Dollars</i>
Payroll and administration-----	171, 000
Building and equipment-----	24, 000
Supplies-----	41, 000
Ships repair parts-----	25, 000

Fifty-three percent of building and equipment: 80 percent of payroll, Administration, and supplies; and 80 percent of repair parts costs would have been spent whether or not peleliu existed on ships maintenance. Leaving net cost of 60,000 dols. Since early 1972 10 ships underwent above water and machinery repairs at Peleliu by facility and shipforce personnel saving an estimated 144,000 dols in foreign shipyard work and 9 ships were put in cold iron reserve status during selected periods when operating funds were not available saving 245,000 dols over active reserve costs in a non-protected harbor. With Present facilities and fact no additional facilities or increased capability will be provided until such time as reference indepth study by outside experts has been completed, overall evaluation of the project to date has been that it has been worthwhile as a training facility and in reducing costs of harboring ships and in making minor repairs to vessels. Related subject: Wayne Thiessen has mailed some supplementary information and could be available for consultation or to testify in Washington this week if desired. New subject: appropriations to trust territory 1955 thru 1960 were: 1955 dols 5 million, 1956 dols 5 million, 1957 dols 4.8 million, 1958 dols 6,150 thousand, 1959 dols 4,862,100, and 1960 dols 5,225 thousand. New Subject: re dols one million cut outlay authority to TT as share of outlay cut imposed on Department. Our 1974 outlays were dols 63,842 thousand of which dols 49,810 thousand were for operations (including direct appropriation and EDLF) and dols 14,032 thousand for CIP. This does not include dols 38 thousand for micronesian war claims. Our 1975 outlay authority per Presidents Budget is dols 65,300 thousand for regular appropriation, including EDLF and dols 5 million for Micronesian war claims. Our breakdown of dols 65,300 thousand is dols 51,156 thousand for operations (including direct appropriation and EDLF) and dols 14,144 thousand for CIP. With new NOA of dols 9,157 thousand for CIP added to our estimated CIP unexpended June 30, 1974 balance of dols 31,743 thousand, our 1975 outlay CIP requirement if all funds expended would be dols 40,905 thousand. The dols 14,144 thousand for CIP outlays currently provided is very likely to be short. On other hand it appears we will not need the full dols 5 million allowed for Micronesian war claims outlays. We recommend that amount be reduced by the dols one million for the imposed cut. If this acceptable, we urgently request that Department be willing to consider request at later time for higher outlay authority if our CIP outlay requirements prove to be substantially greater than current authority will provide. Please advise your decision.

COLEMAN.

Mr. THORPE. I have been made a fool of here. My money don't come easy.

Mr. CLAUSEN. That is the interpretation, sir, that you have put on it.

We have accepted your questions, they will be responded to by the High Commissioner, and, of course, the ultimate disposition of this will be determined either by Chairman Burton or by Mr. Haley.

All of this legislation has to go to the full committee. Consistent with the previous agreement between the Chair and the ranking minority member, Mr. Hosmer, and myself, I would ask unanimous

consent of the committee that H.R. 16731, now pending before the subcommittee be referred to the full committee without prejudice for disposition; and that H.R. 16793, as introduced by Mr. Hosmer, also be referred to the full committee without prejudice for disposition.

Without objection, so ordered.

Mr. WON PAT. Mr. Chairman, if there is no further business to come before the committee, I move that we adjourn.

Mr. CLAUSEN. Without objection, so ordered.

The subcommittee will be adjourned, subject to call of the Chair.

[Whereupon, at 3:30 p.m., the subcommittee adjourned, subject to the call of the Chair.]





